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The Competitiveness and Trade Expansion Program

COMPETITIVENESS AND TRADE EXPANSION PROGRAM

ANNUAL PROGRESS REPORT – FY 2011

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ANNUAL PROGRESS REPORT – FY 2011

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development of the United States Government.

ACRONYMS

ACE	Agricultural Commodity Exchange for Africa
ACTESA	Alliance for Commodity Trade in East and Southern Africa
ACTIF	African Cotton Textile Industries Federation
AGMARK	Agricultural Market Development Trust
AGOA	African Growth and Opportunity Act
ATI	African Trade Insurance Agency
BVO	Bid Volume Only
COI	College of Insurance
COMESA	Common Market of East and Southern Africa
COMPETE	Competitiveness and Trade Expansion Program
COPE	Center of Phytosanitary Excellence
CQI	Coffee Quality Institute
EAC	East African Community
EAFCFA	Eastern African Fine Coffees Association
EAGC	Eastern Africa Grain Council
EAPIC	East African Phytosanitary Committee
ECA	East and Central Africa
EU	European Union
FAO	Food and Agriculture Organization
FBO	Farm-Based Organization
FEAFFA	Federation of East African Freight Forwarders Associations
JBCs	Joint Border Committees
KRAs	Key Results Areas
KSC	Kenya Shippers' Council
KSMS	Kenya School of Monetary Studies
KTA	Kenya Transport Association
MAS	Market Access Subgroup
MOU	Memorandum of Understanding
OVO	Offer Volume Only
P4P	Purchase for Progress
RADDEx	Revenue Authorities Digital Data Exchange
RATIN	Regional Agriculture Trade Information Network
RECs	Regional Economic Communities
RTA	Regional Trade Association
SPS	Sanitary and Phytosanitary Standards
STS	Structured Trading System
SWS	Single Window System
UCE	Uganda Commodity Exchange
USAID	United States Agency for International Development
WFP	World Food Programme
WRS	Warehouse Receipts System
ZAMACE	Zambia Agricultural Commodity Exchange

CONTENTS

Acronyms	i
Executive Summary	iii
COMPETE Selected Results as of September 30, 2011	1
Component One: Reducing Barriers to Trade	1
Component Two: Value Chain Development	11
Component Three: ECA Trade Hub	28
Knowledge Management/Monitoring and Evaluation	35
Capacity Building under the Partnership Fund	36
Conclusion	38
Success Stories	41

Executive Summary

Chemonics International Inc. and our GBTI 2 consortium partners are pleased to present the COMPETE FY11 annual progress report, which describes the project's progress toward achieving project results and deliverables for the period October 1, 2010, through September 30, 2011.

COMPETE is a complex project, with both trade and food security objectives. These objectives are not mutually exclusive. The challenge has been to find the right balance to meet both the trade and food security objectives. To do so, the project has three integrated components designed to:

- Reduce barriers to regional and international trade.
- Facilitate the efficiency and competitiveness of key value chains.
- Ramp up trade and investment between the United States and East Africa.

There are major challenges to increasing food security and economic growth in East and Central Africa that are regional in nature. The small size, economic and geographic isolation, and poor infrastructure of many countries in the region present obstacles to growth that cannot be overcome by efforts that focus solely on national issues. Local markets alone cannot sustain economic growth, and countries must look beyond their borders to grow economically.

The COMPETE approach relies on private sector-led efforts for removing barriers to trade, and the program places strong emphasis on letting the private sector set the pace for joining together on a regional level to overcome barriers to trade. Our strategy is based on the premise that the private sector is in the best position to guide regional policy reform, and that efforts should be based on sound, fact-based evidence. Our goal has been to build regional and local capacities in regional and international trade and food security.

In FY11, COMPETE worked closely with the regional economic communities (EAC and COMESA) and their member states on several initiatives to reduce barriers to regional and international trade. The project made significant progress on interconnectivity of customs agencies' information and communications technology systems, harmonization of customs procedures and customs valuations, and post-clearance audit procedures — all of which are designed to speed the movement of goods across borders. The project also supported the EAC to develop and launch the EAC Trade Helpdesk — the first online database to monitor trade on all imports and exports between any country and the EAC, and a source of information on all applicable tariff and trade regulatory requirements for importers, freight forwarders, and others.

COMPETE also developed and disseminated a regional staple foods competitiveness strategy to strengthen regional value chains that has been well received by the project's stakeholders. The strategy, which is based on extensive consultation with regional stakeholders and analysis of the sector's key constraints, rests on three pillars: structured trade, market information systems, and policy and standards. As this strategy is implemented, it will continue to increase the competitiveness of the value chains and help the private sector to shape and accelerate regional integration. The strategy also has been an excellent tool for raising awareness among national value chain participants about the need for greater

regional integration and aligning the region's value chains and other stakeholders around the highest-priority regional issues.

Progress on the other value chains in which COMPETE works — specialty coffee and fiber, textiles, and apparel (FTA) — also continued in FY11. In coffee, COMPETE continued to support the Eastern Africa Fine Coffees Association, which is now approaching operational sustainability. Through a Partnership Fund grant to Sustainable Harvest, the project supported the pilot of an iPad-based tracking system designed to increase coffee farmers' capacity and revenues. In FTA, COMPETE supported the rollout of COMESA's "Cotton to Clothing" strategy, a plan to develop local and regional markets, create market linkages, and harmonize trade standards and practices.

The East and Central Africa Trade Hub (ECA Hub) has provided technical assistance to hundreds of African firms and governments to enhance their competitiveness globally and to capitalize on opportunities available under African Growth and Opportunity Act (AGOA) and other international trade agreements. Over the past three years, the ECA Hub has facilitated nearly \$60 million of exports in apparel, cut flowers, specialty foods, and home decor/fashion accessories under AGOA.

COMPETE is especially proud of Origin Africa, an ongoing marketing campaign and initiative composed of producers, designers, small businesses, exporters, buyers, and retailers dedicated to improving African trade. Origin Africa's objective is to put Africa on the map as a preferred sourcing continent and to improve perceptions about doing business in Africa; the initiative targets a global audience of buyers, business leaders, and designers. Origin Africa also embodies a powerful trend in social entrepreneurship and empowerment, coupled with the recognition of Africa as a new frontier for business. Finally, Origin Africa translates into profitable, sustainable, and mutually beneficial long-term relationships.

COMPETE also has dedicated significant attention to cross-cutting efforts in knowledge management and sharing and capacity building through the project's Partnership Fund. On knowledge management, COMPETE worked closely with the regional economic communities (EAC and COMESA), their member states, USAID, and other development partners to acquire first-rate country and regional knowledge. This has allowed the project to distill lessons learned and identify trends within and across the region. The EAC Trade Help Desk, the EAC Regional Food Balance Sheet, www.eastafricancorridors.org, and the Revenue Authorities Digital Data Exchange (RADDEX 2.0) are all examples of primary sources of information capture that COMPETE has initiated.

These efforts have allowed COMPETE to identify targets of opportunity through our work on the ground and respond to them. To do this effectively, the project has relied on a quick-response contracting mechanism: the COMPETE Partnership Fund. COMPETE has benefited tremendously from having this special activity fund, which the technical team can use as a rapid-response mechanism to address targets of opportunities and to help our partners overcome constraints that are identified during project implementation.

To date COMPETE has provided more than \$7 million in direct grants under contract to regional and national-level transit associations, regional trade associations, and regional NGOs. We also have provided an additional \$8 million in local subcontracts and service agreements. Activities have ranged from supporting anticorruption efforts in the transit industry to promoting the use of innovative IT technologies to track the coffee supply chain, to supporting efforts to improve aggregation and storage

systems for smallholder staple foods farmers. With COMPETE support, many of these local organizations are well on their way to institutional sustainability and are building their capacities to be able to work directly with USAID under USAID Forward or to work with other donor programs and activities.

Highlights of FY11:

- COMPETE worked with the Federation of East African Freight Forwarders Associations (FEAFFA) to develop the FEAFFA Code of Conduct. Launched in July, the FEAFFA Code of Conduct was adopted by the regional clearing and forwarding industry that comprises more than 10,000 industry players who control more than 95 percent of formal trade in East Africa. The code also was formal endorsed by government regulatory agencies.
- COMPETE supported the five EAC member states to streamline border management through the creation of joint border committees at key border posts along the region's major transportation and trade corridors. These committees are the first step in creating one-stop border centers and integrated border management systems, such as a single window.
- Working with the Kenya School of Monetary Studies and the College of Insurance, COMPETE launched certificate programs in agriculture finance and agricultural insurance to build the capacity of employees at banks, non-bank financial institutions, and insurance companies, among others, to design and offer these products and services. In the long term, these programs will promote investment in agriculture, as well as to mitigate risk for farmers.
- COMPETE assisted the East African Community to develop the first online database, the EAC Trade Helpdesk, that monitors trade on all imports and exports between any country and the EAC and includes all applicable tariff and trade regulatory requirements. The EAC trade statistics are organized by country of origin and destination and include applicable rules of origin and non-tariff requirements. The website also communicates amendments to the tariff rates that are introduced by the EAC Council through the EAC Gazette. Data will be updated monthly and annually based on the submission of EAC partner states.

COMPETE FY11: By the Numbers

6 anti-corruption measures implemented
7 customs harmonization procedures implemented in accordance with international standards
25 public-private partnerships facilitated
38 women's organizations/associations assisted
46.3 percent increase in intra-regional trade in cotton, textiles, and apparel from 2009 to 2010
108 percent increase in intra-regional trade in staple foods from 2009 to 2010
162 firms receiving capacity building assistance to export
493 financial sector supervisors trained
1,295 participants in trade and investment capacity building training
2,101 agriculture-related firms benefited directly from COMPETE interventions
\$25 million in coffee purchases brokered at the EAFCA conference
\$34.8 million in AGOA-related exports to the United States facilitated by the project

- COMPETE facilitated an agreement among the EAC Secretariat and the Common Market for East and Southern Africa (COMESA) and the Alliance for Commodity Trade in East and Southern Africa (ACTESA) stakeholders on parameters for developing a trade policy for a staple foods structured trading system, including a simplified certificate of origin. Together with other COMPETE interventions, such as harmonizing standards, this will facilitate the movement of staple crops across borders. Intra-regional trade in all COMPETE-supported value chains showed significant improvement. The values of trade increased by 71.5 percent over 2009, with a recorded total value of \$297 million, compared to \$173 million in 2009.
- Throughout 2011, the COMPETE team worked closely with the World Food Programme and its Purchase for Progress initiative to determine the best locations for procuring staple commodities. This was particularly important to the international response to the famine in the Horn of Africa.
- The East Africa Fine Coffees Association held its most successful conference to date, at which an estimated \$25 million in coffee deals were brokered.
- COMPETE and the African Cotton Textile Industries Federation (ACTIF) worked with the Mauritius Export Association and Enterprise Mauritius to organize the Origin Africa Fiber to Fashion 2011 Symposium and Designer Showcase, held in Mauritius in March 2011. The event brought together African designers and international buyers and is a key part of COMPETE's efforts to create linkages between the two.
- The COMPETE Trade Hub facilitated \$34.8 million in exports in FY11 from East and Central Africa to the United States under the African Growth and Opportunity Act. To date, the project has facilitated nearly \$60 million in exports under AGOA.
- The project support several regional trade associations — including ACTIF, the East Africa Grain Council, and the Kenya Shippers Council — to upgrade their websites to promote regional knowledge sharing.
- COMPETE provided \$6.4 million through its Partnership Fund to regional grantees. In addition the project provided institutional strengthening to build grantees' capacity and sustainability.

COMPETE Selected Results as of September 30, 2011

Component One: Reducing Barriers to Trade

The countries in East and Central Africa (ECA) continue to rank poorly in terms of global competitiveness according to 2010 rankings by the World Economic Forum. Poor competitiveness undercuts ECA countries' capacity to compete with the outside world and within the region itself. It also affects their ability to move staple food crops from deficit to surplus areas, thus impacting negatively their food security. Political will is slowly changing through the enactment of treaties, agreements, and policies that will lead to greater regional integration across the East and Central African region. However, systems are not yet in place to allow for the unhindered flow of goods, services, and people across borders within a market driven and competitive environment.

Our strategy under Component One has been to undertake targeted interventions that will have the greatest impact on the reduction of time, cost, and complexity of procedures along the major regional transport corridors for East Africa. The aim is to foster a coordinated approach involving governments, regional economic communities (RECs), and the private sector to put in place an improved regional environment for enabling trade. Below, we present selected results by each of the Key Result Areas (KRAs) in the approved FY11 work plan.

Transit and Trade Efficiency on Select Transport Corridors

The high cost of transport is one of the key barriers to trade on the African continent. Inefficiencies along trade and transport corridors hinder Eastern and Central African countries from being effective players in regional trade and in the global marketplace. USAID COMPETE is addressing these constraints along the Northern, Central, and Dar transit corridors by promoting innovative solutions such as improving operations at the Port of Mombasa, customs automation, cargo tracking systems, joint border inspections, single window clearance systems, RADDEX, and adoption of regional transit facilitation tools.

Trade policy and access to trade and investment finance are cross-cutting issues that are embedded in all of our activities. Our policy efforts include working with partners to develop common regulatory standards that are consistent with global standards. In finance, we are working to improve banking laws and payment systems to reduce the cost and risk of lending, especially in agriculture, and to expand access to financial services across borders.

COMPETE-Supported Entrepreneurs: Nimule Traders

The restoration of peace and the subsequent declaration of independence for South Sudan have led to growth in demand for all commodities in South Sudan. To meet this need, traders have flooded the Nimule border between Uganda and South Sudan. The majority of these traders are women. When COMPETE went to visit the border, they discovered that harassment of the women traders was a severe problem.

To address this issue, COMPETE joined forces with the Ugandan Ministry of Trade, Industry and Cooperatives to host a forum for traders from several Ugandan border crossings. The forum brought the problem of harassment to the attention of the government and armed traders with the knowledge of proper procedures and trade regulations. The Nimule women traders can now better advocate for their rights and fight corruption and extortion from unscrupulous officials at the borders while continuing their entrepreneurial activities.

Support to joint border committees. Over the last year, COMPETE supported the five EAC member states to streamline border management through the creation of joint border committees (JBCs) at key border posts along the region’s major transportation and trade corridors. JBCs are the first step in creating one-stop border centers and integrated border management systems such as a single window.

The first approach is to coordinate functions at each side of the border. JBCs provide a forum for national-level government regulatory agencies and private sector stakeholders to meet on a regular basis to discuss matters affecting the transit of cargo across borders.

During FY11, COMPETE guided the formation of JBCs at 16 border posts. (Each side of a given border counts as one post.) This is in addition to the Ports of Mombasa and Dar es Salaam, where COMPETE is working to establish one-stop border centers. Each committee includes customs, immigration, plant health, police, and food and drug agencies, among others — with private sector players such as clearing and forwarding agents, transporters, traders, and financial institutions at selected borders.

As a result of these interventions, each JBC has designated a lead agency to coordinate border operations. JBCs have formally agreed to carry out joint cargo clearance inspections according to a mutually agreed schedule and have developed border performance charters that define performance standards for clearance times at each border and include the publication and display of charges and levies to promote transparency and accountability. JBCs are functioning at 16 border posts along the Northern, Central, and Dar es Salaam corridors and are an important building block in moving to full one-stop border post operations.

Over the past year, COMPETE has encouraged the JBCs to create border process manuals. The manuals are designed to promote understanding of border procedures by clearing and forwarding agents, transporters, and traders and to encourage these groups to fight “unofficial practices.” JBCs also encourage all border agencies to publish and display statutory charges and levies payable by cargo owners, their agents, operators, and shippers.

Establishment of JBC operating guidelines. Under the joint border committees, the corresponding agencies agreed to the following:

- To promote transparency by publishing prevailing procedures and service delivery charters, which should lead to a consolidated service delivery charter and performance standards at the respective borders.
- Each border agency will publish and display statutory charges and levies payable by cargo owners, their agents, operators, and shippers, so as to curb corruption and build mutual trust and confidence.
- All agencies will benchmark their operational standards with best practices and set performance targets in mutual consultation with stakeholders.

Where Are JBCs Operational?

Northern Corridor

Malaba (Kenya/Uganda)
Busia (Uganda/Kenya)
Gatuna/Katuna (Rwanda/Uganda)
Namanga (Kenya/Tanzania)

Central Corridor

Kabero/Kabanga (Burundi/Tanzania)
Rusumo (Tanzania/Rwanda)
Mutukula (Uganda/Tanzania)

Dar es Salaam Corridor

Tunduma (Tanzania/Zambia)*
Kasumulu (Tanzania/Malawi)*

*Southern Africa Trade Hub manages JBC efforts on the Nakonde, Zambia, and Songwe, Malawi, sides.

- All agencies will set transparent targets and collectively monitor achievement of the targets in consultation with relevant stakeholders.

Each joint working committee/joint border committee set up at the various borders has adopted these as guidelines. Getting the border agencies and private sector stakeholders to work toward these agreed targets will go a long way in promoting transparency and accountability and curbing corruption and corrupt practices.

JBC model for Southern Africa Trade Hub (SATH). The SATH trade facilitation team, working with the COMPETE transit team on the Dar corridors, has adopted the COMPETE model and adapted it to its own work on Southern African borders, starting with Nakonde (the Zambian border with Tunduma, Tanzania) and Songwe (the Malawian side of Kasumulu, Tanzania). This collaboration between COMPETE and SATH has resulted in the development of important synergies between the two projects.

Training of officials and private sector players at borders. The formation of the JBCs has gone hand-in-hand with training of officials at borders, traders, and logistics players. COMPETE staff and local partners trained more than 700 public and private sector officials on the “new way of doing business” at the borders. Ultimately, the formation of the JBCs and the resulting streamlined management of borders, as well as coordinated and joint operations, will result in reduced time to cross borders; reduced costs; improved efficiencies and service delivery by border agencies; enhanced transparency and accountability, thus curbing corruption; and quicker flow of trade in East Africa.



Crossing the Nimule border between Uganda and South Sudan.

Moving toward an electronic single window system. Single window systems (SWS) facilitate trade by reducing delays and lowering costs while maintaining the required controls and collection of duties and taxes, where applicable. An SWS allows entails lodging trade documents (import/export declaration forms, Single Entry Document, and other accompany trade documents) through one office at the port of entry for processing by all relevant agencies in the back office. This saves time that could otherwise be spent lodging documents with different agencies at the entry point. When fully implemented, centralizing and computerizing these systems is expected to save the region's economies more than \$30 billion per year.

To support these efforts, COMPETE supported regional and country-level activities in Kenya, Rwanda, Tanzania, and Uganda. As a result, the EAC formally adopted the e-SWS as a priority activity. The EAC also established a working group to facilitate and the coordinated development of an e-SWS in East Africa using a regional framework developed by COMPETE. USAID/East Africa also signaled its support of e-SWS by providing additional funding to the EAC Secretariat to accelerate the process initiated by COMPETE. At the country level, COMPETE supported the Kenya Shippers Council to develop a policy paper on the SWS to gain a seat on the Kenyan National Single Window Stakeholders Forum. The project also linked the Uganda Ministry of Trade (which coordinates the Uganda National Working Group on

the e-SWS) with the U.S. Trade and Development Agency, which may fund a feasibility study on the Ugandan e-SWS.

Strategic planning retreat for steering committee of Tanzania Port Community System. COMPETE facilitated and supported a strategic planning retreat for the steering committee of the Tanzania Port Community System in March. The strategic planning retreat was attended by a cross-section of key stakeholders in Tanzania, comprising 33 public officials and 8 private sector representatives. The workshop helped redefine the single window system from being a port operation under the Tanzania Ports Authority to a national initiative under the Prime Minister's Office to reduce the cost of doing business and enhance competitiveness.

Donor coordination activities. COMPETE continued to collaborate and share information with other donors and donor programs, as well as the Southern Africa Trade Hub and West Africa Trade Hub. The COMPETE transit team participated in the following donor forums:

- Donor coordination forum involving the Japan International Cooperation Agency (JICA), Trade Mark East Africa, the World Bank, and others donors held at the JICA offices in Nairobi in April. The group agreed to update and share a matrix of donor interventions in transit and trade facilitation.
- First joint one-stop-border post sensitization workshop held under the auspices of JICA/EAC from May 22-26 in Arusha, Tanzania. Key results were the validation and acceptance of the COMPETE strategy of establishing JBCs at key EAC borders as a building block to full one-stop border post operations and recognition of COMPETE's lead role in institutional capacity building at borders to formalize coordinated working arrangements across agencies, streamline operations, and undertake joint operations.
- COMPETE collaborated with the SATH on integrated border management activities and with Trade Mark East Africa on institutional capacity building of transit associations.

Support to transit associations. To ensure the private sector is leading the charge on regional policy reform, COMPETE provided three targeted Partnership Fund grants to three key private sector transit associations: the Kenya Transport Association (KTA), Kenya Shippers Council (KSC), and the Federation of East African Freight Forwarders Association (FEAFFA). The overall objective of these grants is to strengthen the secretariats of these associations by supporting activities and programs that provide member services and contribute COMPETE's regional mandate.

The COMPETE grants team also helped these organizations set up and implement transparent financial systems that are necessary to receive and manage not only COMPETE funds but other sources of targeted donor funding. The following is a summary of COMPETE's support to key transit associations.

- **Kenya Transport Association (KTA).** KTA's secretariat, with the support of a COMPETE Partnership Fund grant, researched and presented the Kenyan truckers' position on regional harmonization of axle load control to the Government of Kenya. This position was taken up by the Kenyan government and adopted as Kenya's position on harmonization of axle load control limits. To date, all EAC partner states have adopted a 56-ton and 7-axle configuration that is now being developed into a legal instrument. When passed, this harmonized instrument will result in seamless administration of axle load control on three

regional trade corridors (i.e., the Northern Corridor, the Central Corridor, and the Dar Corridor). As a result, truckers will have an easier time complying with these harmonized regulations and opportunities for corruption will be reduced. The eased operations also will result in a reduction in cost and time to trade across borders in the region and beyond.

The membership of KTA has committed itself to ridding its membership of corrupt and non-compliant operators by developing a Code of Conduct. This will complement activities taking place at the regional level. The Code of Conduct was developed with technical support from COMPETE, which organized a major publicity effort to raise awareness of the Code through a public launch. Kenya Anti-Corruption Commission Director PLO Lumumba officiated at the launch of the KTA Code of Conduct in February, noting that the codes help promote reforms needed to drive economic growth for Kenya's Vision 2030, a detailed blueprint for the future of the country.

The Code of Conduct commits members to refrain from overloading, which deteriorates roads. By September 2011, more than 75 trucking companies representing more than 5,000 trucks operating the Northern Corridor have made a written commitment to refrain from overloading, helping to preserve pavement/road infrastructure in the region.

To begin to dismantle the corruption networks at Kenyan weighbridges, COMPETE facilitated a meeting of the Board of KTA with the management of the Kenya Anti-Corruption Commission in Nairobi. As a result of this meeting, the Kenya Anti-Corruption Commission began carrying out sting operations at the weighbridges, making it more difficult for government officials to engage in open corruption at the weighbridges. Evidence also shows that the fines collected at the weighbridges have grown.

COMPETE's support also has transformed KTAs' secretariat into to a professional body with a functional secretariat. This secretariat has been able to hire qualified staff able to respond to the needs of its membership. With COMPETE support, KTA Magazine (an industry quarterly) continues to grow in popularity and generate revenue for the KTA. In FY11 alone, the publication generated more than \$85,000 in net revenue for the association.

- **Kenya Shippers Council (KSC).** KSC is an association of key exporters and trading companies in Kenya whose mission is to advocate for an improved policy and trade environment. The council's secretariat informs shippers of their rights and obligations on import and export trade, interprets government regulations and procedures, and provides a platform for sharing experiences. KSC's functions were initially handled as part of the Kenya Association of Manufacturers. In an effort to help the manufacturers' association to establish an independent secretariat, COMPETE provided a two-year Partnership Fund grant in FY10 to help build its institutional capacity. The grant focused on supporting the KSC to strengthen its organizational and operational capacities. With short-term technical assistance from COMPETE, the KSC developed the following operational manuals and guidelines:
 - Human resources policy manual.
 - Finance policy manual.
 - Procurement policy manual.
 - Information technology policy manual.

- Member services policy.
- Monitoring and evaluation policy.

In addition, COMPETE funded short-term technical assistance to support various advocacy initiatives, highlighted by a series of position papers. Some of the most important position papers developed through COMPETE support included:

- KSC Policy Paper on Implementation of Electronic Cargo Tracking Systems.
- KSC Policy Paper on Implementation of the National Single Window System.
- KSC Policy Position Paper on Container Freight Stations.
- KSC Position Paper on Annual Extra Cost of Doing Business at the Port.
- KSC Position paper on Unlocking the EAC Axle Load Stalemate.

COMPETE has also supported KSC in developing a directory of regional service providers that gives regional and international traders in East Africa a valuable tool to access a larger range of logistics service providers.

To be an effective representative of cargo owners, Kenya Shippers Council grew its social and industry profile through its new website, www.kenyashippers.org, to engage with the stakeholders and also increased advocacy on behalf of the industry. COMPETE provided support for the redesign of the site as part of KSC's Partnership Fund grant.

KSC continues to face challenges to sustainability and has yet to establish a strong functioning secretariat that could be independent without donor support. COMPETE will perform an institutional sustainability assessment in the first quarter of FY12 to inform future COMPETE support to the KSC. Without putting in place a minimum of financial and management controls, the KSC will not be able to attract other funding sources.

- ***Federation of East African Freight Forwarders Association (FEAFFA).***

FEAFFA promotes growth and development of a professional, efficient, and competitive freight forwarding industry in the region. COMPETE worked with FEAFFA through a Partnership Fund grant and direct technical assistance to develop the FEAFFA Code of Conduct. Launched in July, the FEAFFA Code of Conduct was adopted by the regional clearing and forwarding industry that comprises more than 10,000 industry players who control more than 95

percent of formal trade in East Africa. The code also was formally endorsed by government regulatory agencies, namely national revenue authorities.



The cover of the FEAFFA Simplified Code of Conduct.

The major impact of the code is the promotion of self-regulation and enhanced compliance by the operators and traders and the adoption of anti-corruption practices by clearing and forwarding agents. This code has now been published in a simplified form in English, Kiswahili, and French.

- **Support to other transit associations.** COMPETE provided targeted assistance to a number of national transit associations that represent members that are key to the movement of the goods across regional borders, including.
 - COMPETE provided short-term technical assistance to the Tanzania Truck Owners Association to help the organization develop strategic plans that will give direction and focus to activities over the next three years.
 - COMPETE provided short-term technical assistance to help the Uganda Shippers Council develop strategic plans that will give direction and focus to activities over the next three years. COMPETE also supported the council to redesign its web page to better meet the needs of the council's members.

Access to Trade and Investment Finance

Inadequate access to finance is a major constraint to regional trade, food security, competitiveness of value chains, livelihoods, and economic development in East Africa. This is true even for medium and large agribusinesses, producers' organizations, processors, lead firms, and traders, all of which are instrumental to enhanced food availability and affordability, economic growth, trade, and job creation. To dramatically increase food security, regional trade, and employment and to reduce poverty, it is critical to increase access to financial services throughout the region as a means to creating direct access to end markets and enabling players in the value chain to substantially increase volumes and incomes. The following are some of the key finance activities in FY11.

Kenya School of Monetary Studies: Regional Certificate in Agricultural Finance. Banks and other financial institutions are often reluctant to lend to farmers and agribusinesses. Due to agriculture's seasonal nature, uncontrollable weather-related events, and perishability and high market volatility of agricultural goods, the perceived risk of agricultural finance is high. With COMPETE support, the Kenya School of Monetary Studies (KSMS) has designed a Regional Certificate in Agricultural Finance to strengthen the human resource capacity in regional lending institutions and provide more funds for the agricultural sector.

The Certificate in Agricultural Finance is a three-module program that targets participants from commercial banks; microfinance institutions; agricultural savings and credit cooperative societies; and ministries of trade, agriculture, livestock, and industry. The certificate program is designed to equip participants with practical knowledge, skills, and attitudes that will enable them to perform agricultural lending-related duties. The objective of the certificate program is to integrate internships and practical projects in its curriculum through a case study approach.



The Certificate in Agricultural Finance program kicked off in earnest in April 2011, with 37 participants from four East African countries (Kenya, Rwanda, Tanzania, and Uganda) who were selected to take part in the first module of the course. The trainees followed up their classroom training with internships at their places of work. Of the 37 participants, 20 were sponsored by USAID/COMPETE, and 17 were sponsored by their nominating institutions. The program is designed to make a substantive contribution to strengthening and streamlining agricultural lending practices in agriculture. The long-term impact will be to unlock the potential of the

East Africa region by promoting investment in agriculture, which will enable farmers to acquire the goods necessary for increased output and quality.

College of Insurance: Regional Certificate in Agriculture Insurance. The insurance industry in East Africa suffers from a lack of trained personnel, especially in the areas of agricultural risk assessment and agricultural insurance products. To build capacity within the insurance industry and raise the level and penetration of agricultural insurance across East Africa, COMPETE provided support to the Kenya College of Insurance (COI) to create a Regional Certificate of Agriculture Insurance. Employees of insurance companies and financial institutions, as well as national insurance regulators from the East Africa region, now have a place to learn how to design crop insurance, write claims procedures, and make insurance more affordable and accessible. The long-term impact will be to mitigate risk for insured farmers, which will increase their ability to attract financing and thereby improve food and financial security.



Support to African Trade Insurance Agency (ATI). COMPETE is supporting the African Trade Insurance Agency, Africa's only multilateral political and export risk insurer, to expand its coverage in East Africa. Risk-mitigating products such as those offered by ATI can facilitate increased trade, particularly in African markets that may be perceived as high risk. Under an agreement signed in September 2011, ATI received a COMPETE subcontract worth approximately \$157,000 to fund its expansion into Rwanda and Burundi.



Offices will be up and running by February 2012. ATI plans to develop projects from a pipeline of inquiries valued at \$1 billion. From ATI's experience, local offices can have a big impact on trade. For example, ATI's office in Zambia, which also serves Malawi, facilitated an additional \$103 million worth of trade and investments in the energy, telecommunications, trade, and transportation sectors in Zambia, and \$73 million in the energy and telecommunications sectors in Malawi. With this support, ATI's new Rwanda office is expected to issue insurance policies facilitating an anticipated \$7.5 million in trade transactions within two years.

East African Bankers Association. COMPETE worked with five country-level bankers associations to help form the regional East African Bankers Association. A draft MOU, articles, and bylaws for the have been prepared for the association. Signing of the MOU in a soft launch is expected in March 2012.

East African Private Equity Foundation. To assist the development of the small and medium enterprises in value chains, in FY11, COMPETE assisted with the establishment of the East African Private Equity Foundation. This is the first step in creating an East African Private Equity Association, which will offer innovative finance products to the small and medium enterprise sector, in 2012.

**COMPETE-Supported Entrepreneurs:
Rose Mutuku, Smart Logistics Solution**

COMPETE works to link farmers to traders. One standout trader is Rose Mutuku from Smart Logistics Solution LTD. Ms. Mutuku works with farmer associations in East Africa to source grain. To source more efficiently and progressively, Ms. Mutuku has worked with COMPETE to use purchase order financing for interested farmers. With the help of financing, Ms. Mutuku has been able to source sorghum for East African Breweries from a number of enthusiastic farmer groups in the Eastern Province of Kenya. Private sector traders like Rose Mutuku help farmers reach a sustainable market for their goods.

East African Agricultural Finance Network . COMPETE helped the regional agricultural finance and insurance sectors to establish the East Africa Agricultural Finance Network (EAAFN), which is “housed” in the KSMS. The EAAFN is currently a virtual network of private agribusinesses, farmers, businesses, NGOs, governments, donors, financial institutions, insurance companies, and other interested stakeholders who are encouraged to share information on finance and insurance as it relates to the agricultural sector. The EAAFN will be a comprehensive knowledge sharing and e-learning platform for both agriculture itself and agricultural finance of all kinds — nationally, regionally, and internationally. The EAAFN will also host the Agricultural Finance Toolkit and the Agricultural Insurance Toolkit. The e-learning platform envisioned will utilize Moodle, a free, open-source web application for producing modular Internet-based training courses.

Regional Trade Policies

Trade policy is a cross-cutting issue that is embedded in all aspects of COMPETE’s work. The project works to strengthening regional economic communities’ capacity to analyze the impact of regional policies and monitor implementation of these policies. In this way, COMPETE works through regional bodies to address the policies and regulations that affect regional trade in targeted value chains.

COMPETE has supported the EAC through short-term technical assistance, direct technical assistance from COMPETE’s long-term staff, and through the support of a number of key regional workshops and technical working groups. COMPETE has also procured the hardware required to launch the new customs exchange platform, RADDEx 2.0. To ensure complementarity with EAC’s annual program and support from other donor programs, COMPETE and the EAC Secretariat developed joint annual work plans guiding interventions and cooperation. Below is a summary of our support to the EAC Secretariat.

Customs interconnectivity/RADDEx 2.0. Working with the EAC and national revenue authorities, COMPETE furthered the development of a regional customs exchange platform, the Revenue Authorities Digital Data Exchange program (RADDEx 2.0). RADDEx 2.0 includes improved tracking of customs declarations, enhanced reporting tools for risk management and detection of fraudulent customs declarations, and revenue income planning and projection reporting. RADDEx 2.0 not only provides a management facility for customs and border crossing stakeholders, but also provides a comprehensive reporting engine for trade statistics and trends based on real-time customs transactions. Now that COMPETE has purchased the servers to house RADDEx 2.0, the last step is to have COMPETE and EAC partner states finalize the RADDEx 2.0 roadmap for implementation across all five EAC customs authorities. Full rollout of RADDEx 2.0 is expected by March 2012.



Customs procedures. Despite being a single customs territory by virtue of the EAC Customs Union, the revenue authorities of EAC member states have different customs procedures that often conflict with one another and, in some cases, are not conducive to efficient trade. COMPETE supported the EAC in the process of harmonizing the customs procedures across all five EAC countries through the development of the final draft of the EAC Customs Procedures Manual. The manual is now due for review by stakeholders to get their input before the final version is produced.

Post clearance audit. A post clearance audit is a World Customs Organization recommended practice for improved customs clearance services to businesses. The post clearance audit system allows customs clearance through a simple procedure so that cargo dwell-time at the port is reduced to a minimum, with the understanding that an audit will be carried out in accordance with applicable procedures. Through support from COMPETE, the EAC initiated work for the development of the EAC post clearance audit manual.

EAC harmonized customs valuation. COMPETE supported the preparation of the EAC's harmonized customs valuation procedures and methods, a major step in ensuring compatibility of the EAC Customs Valuation to the World Trade Organization Customs Valuation Agreement and the World Customs Organization recommended best practices. COMPETE is supporting the EAC in the implementation of the harmonized customs valuation through publishing the customs valuation manual and by providing targeted training to customs officials and businesses through regional trade associations.

EAC Trade Helpdesk. COMPETE has been working with the EAC to develop the first online database that monitors trade on all imports and exports between any country and the EAC and includes all applicable tariff and trade regulatory requirements. The database is called the EAC Trade Helpdesk. The site, at <http://tradehelpdesk.eac.int/>, is designed to help EAC policy-makers and stakeholders monitor trade flows online. The EAC trade statistics are organized by country of origin and destination and include applicable rules of origin and non-tariff requirements. The website also communicates amendments to the tariff rates that are introduced by the EAC Council through the EAC Gazette. Data will be updated monthly and annually based on the submission of EAC Partner States.



COMPETE and the EAC team (revenue authorities, national bureaus of statistics, central banks, and EAC Secretariat departments) spent the end of FY11 analyzing the formulas used in creating trade reports. They found the system to be quite robust and able to generate with 100 percent accuracy the tables most needed for policy making and monitoring EAC trade performance. EAC and the COMPETE team will continue to monitor feedback from these stakeholders and respond to any proposals and issues as they develop. The team has already identified areas for further development of the website, such as market requirements and domestic taxes and charges and preferential tariffs for imports from COMESA and the Southern Africa Development Community to the EAC. The EAC Trade Helpdesk is to be officially launched by the end of 2011.

Component Two: Value Chain Development

To increase competitiveness in specific value chains, COMPETE works with firms and regional trade associations such as the Eastern Africa Grain Council, the East Africa Fine Coffees Association, and the African Cotton and Textile Industries Federation to improve production capacity and quality standards. These associations represent thousands of companies and individuals involved in producing the crops or working in industries that process and market the final products. Our work has also involved strong support to the EAC and national agencies involved in formulating improved policies and establishing standards and procedures for trading goods across borders.

Below we present the results under the COMPETE-supported value chains.

Staple Foods

COMPETE continued to support a number of efforts in FY11 to increase structured trade of staple foods. Movement toward a more formalized structured trading system is a continuum that starts with the basic building blocks of aggregation and bulking of product to reach commercial quantities of staple products to the adoption of formal trading practices such as the use of commercial contracts, using appropriate financial products, and promoting grain trading systems that use more formal price discovery mechanisms such as commodity exchanges.

In FY11, COMPETE focused on activities that expand access to larger and better-functioning regional markets. In regional markets, food can flow from countries that have surplus food to countries with deficit areas, increasing food availability and reducing the volatility of food prices. Below is a summary of key interventions with the EAC on improving regional staple foods trade.

Regional competitiveness strategy for staple foods and coordinating strategy implementation. COMPETE continued to work with the East African Grain Council (EAGC), ACTESA, and EAC to ensure that institutional strategies and work plans are aligned with the regional staple foods strategy, which will help build momentum around the key strategic focus areas and ensure ownership of the strategy beyond COMPETE. For its part, ACTESA incorporated the regional staple foods strategy into its own draft strategy. ACTESA is currently restructuring its secretariat, and COMPETE has been requested to assist in this re-organization process. Given the many moving, inter-related parts within the implementation plans of the institutional strategies, coordination is becoming increasingly important to the success of the regional staple foods strategy. COMPETE has taken on this coordination role and has been working with institutions such as the Alliance for a Green Revolution in Africa, Food and Agriculture Organization (FAO), the World Food Program (WFP), the Regional Food Security and Nutrition Working Group (a donor coordination group), and others to see how ongoing and new efforts can be directed to support of the staple foods strategy. COMPETE's goal is to ensure full implementation of the strategy's many activities at both the regional and national levels, that regional initiatives are adopted, and that transition to national implementation is consistent and well-coordinated. For example, COMPETE and the Alliance for a Green Revolution in Africa agreed to leverage our respective networks of on-the-ground partners in different countries to roll out the harmonized regional grains standards.

Regional trade policy for staple foods endorsed. In November 2010, COMPETE facilitated a strategy dialogue between the EAC Secretariat and COMESA/ACTESA stakeholders to reach agreement on parameters for developing a trade policy for a

staple foods structured trading system, including a simplified certificate of origin. The policy includes:

- Zero-rated import duty for intra-regionally sourced staple foods.
- Application of a common external tariff for the EAC, COMESA, and Southern African Development Community.
- Implementation of simplified trade regime.
- Introduction of regional food balance sheet.
- Application of predictable food security related exports and import restrictions on staple foods.
- Elimination of marketing and price controls.
- Introduction of sanitary/phytosanitary standards (SPS) trade facilitation mechanism for intra-regional trade.
- Harmonization of staple foods standards and introduction of prerequisite programs for staple foods to avoid border procedures.

Development of regional food balance sheets. COMPETE and the EAGC supported the EAC in organizing and convening national consultative meetings on the proposed EAC Regional Food Balance Sheet. The national meetings contributed toward ownership of the regional food balance concept in all the EAC countries, commitment to submit national food balance sheets to the EAC on monthly basis, and formation of national food balance committees made up of both public and private sector members which will be responsible for vetting the national food balance sheet for accuracy and quality of the data. The meetings' participants were trained on preparation of the food balance sheet using the EAC food balance sheet template.

EAC “green channel” for cross-border trade in staple foods. A lack of a coordinated regional approach among trade facilitation institutions seriously hinders cross-border trade of staple foods. The “green channel” platform is designed to ease regional trade in staple foods through coordinated provision of trade facilitation services (SPS, standards, health requirements, and customs) to traders. COMPETE is assisting the EAC to develop the institutional policy and framework for implementation of the green channel, focusing on select products (maize, rice, and beans), for which COMPETE also has supported EAC standards harmonization and pest risk analysis. This intervention will contribute immensely to enhancing regional trade of staple food products by linking warehouses into the regional market. It also leverages the output of the regional food balance sheet by providing an outlet for the identified food surplus in the region.



A regional EAC meeting on harmonizing staple foods standards in March 2011.

Harmonization of staple foods standards: rice, beans and similar legumes, millet, sorghum, cassava, and wheat. COMPETE worked with the EAC, COMESA/ACTESA, national-level bureaus of standards, and the private sector to harmonize regional standards for 22 staple foods, including maize, wheat, rice,

beans, millet, and similar grains. The process has been lengthy but necessary to build a foundation for interregional trade. Harmonized standards are a major component of the EAC Food Security Action plan and will help the region conduct trade by creating a common language for assessing the quality and grade of grains. Harmonized standards also should help reduce transaction time and costs and increase access to markets for farmers and traders who can now accurately appraise their products and look for competitive prices across borders. Although the harmonization process was completed and consensus reached, Kenya raised a last-minute issue regarding the moisture percentage for maize (moisture content). This has temporarily held up the final passage of the standards by the Council of Ministers of the EAC. Final approval is expected to be completed during the next council meeting early next year.

Support to the Eastern Africa Grain Council. The Eastern Africa Grain Council is a membership-based trade organization that represents the value chain players in the regional grain industry. It operates as a non-profit, non-political, and non-denominational organization that prepares, disseminates, and promotes the exchange of information on issues affecting the regional grain industry. EAGC has received support from COMPETE through a Partnership Fund grant and through direct technical assistance from the COMETE long-term staple foods team. Building the capacity of the EAGC to function as a sustainable institution is a key aim of our local institutional capacity building strategy. Below are some of COMPETE's interventions with EAGC during FY11.



- **Work plan development.** COMPETE's staple foods team worked closely with the EAGC to ensure that its annual and individual work plans are aligned with organizational goals, regional strategic priorities, and the objectives under the COMPETE grant. By focusing on deliverables/activities highlighted in the strategy, COMPETE is helping the EAGC to deliver real value to both its members and the regional value chain.
- **Market information system/Regional Agricultural Trade Intelligence Network development.** COMPETE continued to assist the EAGC's technical staff to improve the content of the Regional Agricultural Trade Intelligence Network (RATIN) website as a part of the EAGC's most recent Partnership Fund grant. As improved an market information system (MIS) is a key objective under the regional strategy, the COMPETE team worked closely with the EAGC Secretariat and the other Market Access Subgroup (MAS) partners (including FAO, FEWSNET, ReSAKSS, and WFP) to find areas to collaborate on collecting and reporting market and trade information. The MAS partners continue to work together to harmonize the data collection methodology for cross-border monitoring. FAO and EAGC are taking the lead in this work, with support of ReSAKSS. COMPETE will identify and fund an IT service provider to conduct a website usage survey by current and potential users of RATIN. This firm will also build the integrated database that can serve as the regional platform.
- **EAGC structured trading systems (STS) training campaigns.** COMPETE helped the EAGC to review and revise its STS training materials. Based on this assistance, EAGC disseminated a revised "Training Manual for Structured Grain Trade" handbook and carried out a number of STS awareness campaigns in Kenya, Rwanda, Tanzania, Zambia, and Uganda.

Structured trade systems/commodity exchanges. COMPETE continued to support efforts to market grain trade through commodity exchanges and other bulking systems. In this regard, COMPETE supported several existing commodity exchanges in FY11 through Partnership Fund grants to help these exchanges develop additional tools for capturing more grain through the trading floor. COMPETE also provided guidance to national entities on the formation a new regional exchange based in Kenya and a national exchange in Tanzania.

- **Support to Agricultural Commodity Exchange for Africa Trust (ACE).** The Agricultural Commodity Exchange for Africa Trust, based in Malawi, developed two innovative trading tools with COMPETE Partnership Fund grant support: “Bid Volume Only” (BVO) and “Offer Volume Only” (OVO) sessions. Total trades on the exchange in 2011 increased to more than \$9 million worth of staples, including maize and pulses (as shown in Exhibit 1). A large portion of the offers on the exchange were fielded through WFP Purchase for Progress (P4P) initiative.

To harness its objective of promoting regional procurement, ACE’s BVO system website, www.bidvolumeonly.org, has been integrated with the Zambia Commodity Exchange (ZAMACE) to allow USAID, WFP, and similar organizations to procure at regionally competitive levels. ACE believes this will not only improve efficiency and prices in Zambia and Malawi, where traders are now able to participate in WFP procurements across the border, but also generate a regional price discovery mechanism.

ACE further enhanced its trading platform by offering the OVO tool, which allows organizations to sell commodities to buyers at a competing or auctioned price. In this way, buyers offer their best price for the commodity, and the organization then chooses the most valuable price to sell their product to. OVO has instantly been taken up by ZAMACE and the Food Reserve Agency of Zambia; buyers in DRC and South Africa are buying maize from the Zambian Food Reserve Agency through OVO system.

The newly developed trade platform allows integration and incorporation of a warehouse receipt system, the new BVO system, and other exchanges. This allows stakeholders to see all trades listed on a warehouse receipt and therefore guarantee quality, quantity, and availability. The new trade and bid volume only platforms are flexible to allow various forms of trade — including trades on transport, insurance, and storage, as well as commodities. With new warehouse receipt initiatives, insurance and storage will become a key in the agricultural market. The new system restricts minimum floor prices or “farm gate prices” as required by the Ministry of Agriculture and Food Security in Malawi.

Exhibit 1. Summary of Trades through the ACE Commodity Exchange, 2006-2011

Period	Trades		Other BVO		WFP BVO		Total	
	Volume (Mt)	Value (\$)	Volume (Mt)	Value (\$)	Volume (Mt)	Value (\$)	Volume (Mt)	Value (\$)
2006-2009	28,379	9,475,298					28,379	9,475,298
2010	7,368	2,306,686	2,000	683,360	10,107	4,010,820	19,476	7,000,867
2011	6,033	1,842,865	468	222,316	24,769	6,943,687	31,271	9,008,869
Total	41,780	13,624,850	2,468	905,676	34,875	10,954,505	79,126	25,485,034

- **Support to the Zambian Agricultural Commodity Exchange.** COMPETE provided a Partnership Fund grant to ZAMACE to support its efforts to establish a farmer aggregation outreach program called the Grain Marketing Expansion Program. The aim of program was to set up more than 30 district warehouses in Central and Southern provinces of Zambia to allow smallholder farmers in the more remote and inaccessible areas to collect and bulk surplus maize harvests. These known quantities of grain were to be sold through the ZAMACE trading floor. Due to Zambian government interference in maize marketing during the 2010/2011 season, smallholder farmers opted to sell their maize directly to the government Food Reserve Agency. The agency's price for maize far exceeded local grain market prices, and the resulting market distortion had a severely negative impact on Zambia being able to export any of its surplus grain, unless sold at a loss.

Exhibit 2. ACE Trading Platform (www.aceafrica.org)

username

Login

ALL

COMMODITY

PROCESSED COMMODITY

ALL Bids and Offers

ITEM DETAILS	UoM	BIDS (\$) BIDS (#)		OFFERS (\$)			DELIVERY TERMS	DEALS (\$)		Forward
		UNIT COST	VOLUME	VALUE	VOLUME	INCOTERM		UNIT COST	VOLUME	
Sugar Beans,Faq(6)	MT	0.00	0.00	953.00	200.00	DDU	Lhw,Lhw ,Mw	0.00	0.00	
Sugar Beans,Faq(6)	MT	0.00	0.00	1,000.00	20.00	FCA	Mitundu,Lhw ,Mw	0.00	0.00	
Ground Nuts,Faq(4)	MT	0.00	0.00	346.00	300.00	FCA	Lhw,Mw	0.00	0.00	
Ground Nuts,Grade A(3)	MT	0.00	0.00	967.00	140.00	FCA	Kanengo,Lhw ,Mw	0.00	0.00	
Preprocessed Honey,Faq	KG	0.00	0.00	9.00	0.20	FCA	Mhg,Mhg ,Mw	0.00	0.00	
Maize,Faq(1)	MT	0.00	0.00	233.33	600.00	DDU	Lhw,Lhw ,Mw	0.00	0.00	
Maize,Faq(1)	MT	0.00	0.00	233.33	100.00	FCA	Namtete,Lhw ,Mw	0.00	0.00	
Maize,Faq(1)	MT	0.00	0.00	233.33	100.80	FCA	Na,Nu ,Mw	0.00	0.00	
Maize,Faq(1)	MT	0.00	0.00	233.33	50.00	FCA	Kaphatenga,Sa ,Mw	0.00	0.00	
Maize,Faq(1)	MT	0.00	0.00	233.33	600.00	FCA/DDU	Mc,Lhw ,Mw	0.00	0.00	
Maize Bran,Faq	MT	0.00	0.00	37.00	130.00	FCA	Kauengo,Lhw ,Mw	0.00	0.00	
Maize Bran,Faq	MT	0.00	0.00	100.00	30.00	FCA/DDU	Mitundu,Lhw ,Mw	0.00	0.00	

- **Evaluation of the Uganda Commodity Exchange.** The USAID/Uganda mission requested COMPETE's guidance on developing a strategy to improve the Uganda Commodity Exchange (UCE), which has not been trading grain across a trading platform since its inception and is struggling in its new role as regulator of the warehouse receipts system (WRS) in Uganda. Some of the most evident problems based on COMPETE's experience working with the UCE include:
 - For all intents and purposes, the UCE is operating as a parastatal organization, relying on funding through the Government of Uganda.
 - The UCE has shifted focus from the exchange itself to the warehouse receipt system as a means of providing "comfort" to buyers and sellers that the other party will perform on the contract. This is based on the fact that the goods to be traded are in fact available in the quantity and of the quality on the warehouse receipt.
 - UCE has 40,000 metric tons of storage at its disposal. However, since 2008 it has handled only 4,333 metric tons for the WFP and 7,005 metric tons for other market participants placed on warehouse receipts. Despite the vast underutilization of current space, the volume of storage available will soon be increased by an additional 3,000 metric tons.
 - Furthermore, UCE indicates that it requires an additional 50,000 metric tons of storage space to make the WRS viable, but it seemingly has no plans to use the exchange floor to conduct sufficient grain trading to make optimum use of this space.

- **Technical assistance to the Tanzania Capital Markets and Securities Authority.** The Tanzania Capital Markets and Securities Authority sent a request to COMPETE to provide technical assistance in establishing an agricultural commodity exchange in Tanzania. In the second quarter, COMPETE conducted a preliminary assessment of structured trade systems in Tanzania. This included a review of the progress to date on formalizing a Tanzania Commodity Exchange, and an evaluation the warehouse receipt system to identify areas which require improvement to develop recommendations for creating the exchange, including initial steps to develop a business plan.
- **Regional commodity exchange concept in Kenya.** The COMPETE STS specialist submitted a feasibility study to the Government of Kenya on setting up an East African Commodity Exchange. This document is still being circulated within the Ministries of Agriculture and Finance. The National Cereals and Produce Board has taken ownership of the document, which has been approved by their Board of Directors. Its circulation has resulted in the formation of a national task force to plan the setting up of a WRS authority in Kenya. This task force is co-chaired by the permanent secretary of agriculture, and by Mr. Victor Gitobu, now the COMPETE agricultural finance advisor. Once legislation has been passed, probably through a finance bill, work will continue on operating WR systems in Kenya.

Aggregation and storage models. Strengthening in-country value chains is a critical first step to integrating regional value chains, ensuring food security and increasing regional trade. Because smallholder production and post-harvest efficiency are a critical piece of that value chain development process and because farmer based organizations (FBOs) across the region operate with varying degrees of success, COMPETE decided to assess different models from across the region to identify the characteristics of successful FBO/aggregation programs.

COMPETE chose four grantees — Farm Concern International, the Cereal Growers Association, the Rural Urban Development Initiative, and the Agricultural Market Development Trust (AGMARK) — to examine their approaches to the issues surrounding smallholder agricultural production in East Africa and the impact of those approaches. The four agricultural models focused on the following:

- Strengthening farmer-based organizations by promoting viable organizational models that can sustainably provide needed services such as training, storage, access to finance, and market links to smallholders.
- Institutionalizing harmonized regional grain standards through EAC training materials to ensure greater transparency and uniformity in buyer-seller transactions.
- Driving smallholder production into regional marketing chains by building or strengthening formal value-chain links between farmers/FBOs and downstream value chain participants as well as regional marketing infrastructure such as larger warehousing facilities and commodities exchanges.

Based on the lessons learned from the analysis of the four models, COMPETE developed a set of requirements to guide FBOs as they work to integrate themselves in the formal marketing chain, including:

- Strong FBO management structures and monitoring and evaluation and training programs.
- Access to finance to provide liquidity for farmers.

- Insurance all along the value chain, “from field to floor.”
- Quality assurance that adheres to EAC quality standards and uses appropriate technologies.
- Diversification of commodities for a good staple foods mix that provides for nutrition, crop rotation, and year-round selling for consistent income and reduces seasonality and risk.
- Improved linkages all along the value chain. FBOs, agro dealers, and traders should form strong, long-term relationships with the whole value chain and to shorten the value chain where possible — thereby reducing transaction costs — by building linkages between farmers and downstream processors and buyers.
- Willingness to invest in the resources necessary to aggregate and sell their product.
- Access to a market information platform that is relevant and timely for farmers.

COMPETE shared these lessons learned and the recommendations with the four grantees and other national and regional FBOs to replicate the successful elements of the existing models and build stronger and more effective FBOs across the region that can become an integral component of the regional value chain.

Rolling out warehouse receipts systems.

Progress on rolling out WRS in the region has been mixed. Several factors have contributed to market volatility, creating an unfavorable environment for storing grain under WRS, especially for maize. In addition, Tanzania imposed an export ban on all trade in staple foods, further hindering regional marketing prospects for smallholders with staple foods stored in warehouses. The following is the status of WRS initiatives by country:



The manager of a warehouse participating in a warehouse receipts program run by the Rural Urban Development Initiative, a COMPETE grantee, in Tanzania.

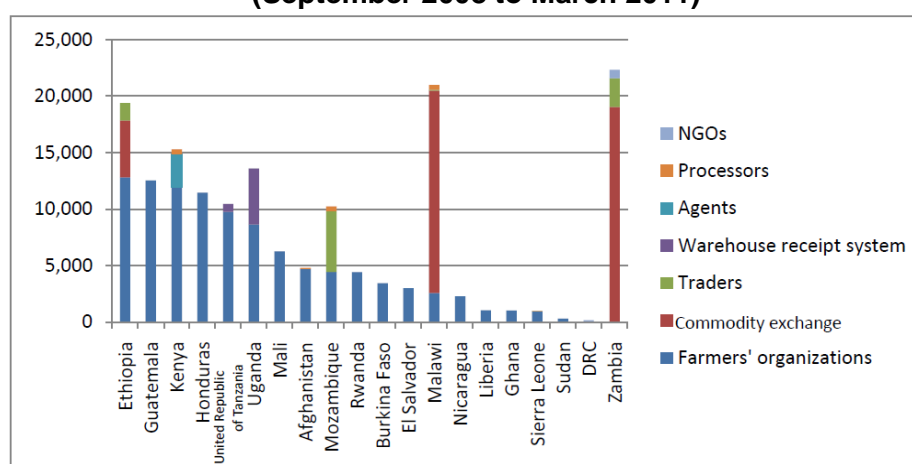
- **Kenya.** Most farmers in Kenya elected to sell their stocks of grain immediately after harvest this past season due to the exceptionally high prices being offered in the market. Farmers who aggregated their production were able to get the best deals from traders, who have pushed the prices of maize to more than 4,000 KES (approximately \$48) per bag. Storing grain in a WRS for any period of time in Kenya under the current market conditions would not be advisable. That said, aggregation and group collection is still the best chance for farmers to get the best prices. WRS plans for Kenya have shifted to the current cropping season, for which prospects for warehousing are more favorable, and with crops other than maize.
- **Tanzania.** Opportunities to introduce WRS in surplus areas in Tanzania have also been negatively impacted by government fears that high prices in Kenya would drain Tanzania of its supplies of staple foods. Tanzania placed an export ban on maize in early 2011 and recently on all staple foods in hopes of keeping local prices down. This has increased the flow of informal trade into Kenya and created volatility in Tanzanian grain markets. Several pending

cross-border trade deals with Tanzanian producers and Kenyan buyers are delayed, including a large deal with Smart Logistics, a firm dealing in the trade of rice and sorghum.

- **Uganda.** High prices in Kenya are creating a strong demand for Ugandan grain for both commercial and food aid distribution. Throughout Uganda, WFP is refurbishing 12 warehouses — several of which will be chosen for pilot WRS programs in the coming months. The COMPETE STS advisor has been asked to provide technical assistance to this effort by helping train warehouses managers and staff in warehouse operations and WRS management. Although these are WFP-operated stores (some funded by USAID/Uganda), they are open for any depositor to use in an attempt to encourage the private sector to become more involved in formal grain trading.
- **Malawi.** Warehouse receipts software has been integrated with the ACE trade system. ACE will start with a fairly simple version and build more functionalities as the system develops. Warehouse operators and banks have an account where they can manage and monitor the warehouse receipts. The system enables the warehouse operator to register depositors, issue receipts, merge and split receipts, send receipts to banks for financing, send receipts to ACE for ownership transfer and send receipts to brokers for trading. The banks can log in and see receipts pending financing and receipts they have financed. ACE has finalized two components on the receipt: tracking outstanding liens on the receipts so any party always can see how much storage cost and financing a receipt holds, and including a complete audit trail (transfers, splits, etc.) on the receipt itself. The first trainings of warehouse personnel, urban and rural banks, and ACE members will begin in early FY12.
- **Zambia.** Government purchases of smallholder maize production at exceptionally high floor prices have created a distorted market, and government warehouses are overflowing with maize. Some has been purchased for regional trade; however, with high transit costs to move the grain, Zambian maize has been uncompetitive in regional markets. Given the very real problems experienced in the maize market, there have been no warehouse receipts issued for this commodity. ZAMACE, through the Grain Marketing Extension Program, is looking to issue warehouse receipts for commodities other than maize. Work continues in this area through STTA provided by COMPETE to assess the condition of warehouses, determine what equipment is available at warehouses, and monitor intake and storage practices.

Market linkages — finding supply sources for WFP P4P. The COMPETE team worked closely with P4P and WFP to determine best locations for procuring staple commodities. (P4P can procure only in the country in which it is working, while WFP has more flexibility in reaching out to regional suppliers.) COMPETE's Cereal Growers Association and AGMARK grant partners accounted for more than half of the grain that WFP successfully uplifted through P4P contracts in FY10.

Exhibit 3: Cumulative P4P Tonnage Contracted, by Vendor Type (September 2008 to March 2011)



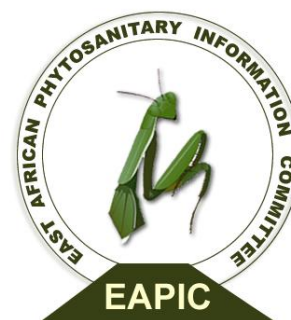
Source: Data extracted from the procurement database on 4 May 2011.

Regional storage/warehouse capacity inventory surveys. Over the course of FY11, COMPETE completed formal surveys of grain storage facilities in Kenya, Tanzania, Rwanda, and Uganda. Information collected included GPS location of warehouse, size, condition, and ownership. Interactive maps showing warehouse locations and capacities are available on www.eastafricancorridors.org.

Support to the regional Center of Phytosanitary Excellence (COPE). COMPETE partnered with the Nairobi-based Center of Phytosanitary Excellence (COPE) to train National Plant Protection Organization (NPPO) technical staff on compliance with regional sanitary/phytosanitary measures. SPS standards are important for maintaining appropriate quality standards, preventing the regional spread of pests and diseases, and protecting the public against toxins that can develop in storage. Regulated phytosanitary issues will allow for the smooth transit of safe goods across borders. The four-week course, titled “Capacity Building on Phytosanitary Skills for Increased Regional Trade,” covers regional trade treaties, inspection procedures, pest surveillance, pest risk analysis, and phytosanitary treatments. Twenty-five NPPO officers from Burundi, the Democratic Republic of Congo, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia attended the course in September 2011. The phytosanitary skills training program will help fill in the knowledge gaps in the region and allow for accurate pest identification, regional policy issues, and consistent enforcement of standards. The training program also aims to improve regional coordination among NPPO bodies, ministries of agriculture, and national standards bureaus.

East African Phytosanitary Committee (EAPIC).

COMPETE worked with EAPIC to develop official country-specific and regional pest reporting methods and Internet-accessible databases that support sanitary and phytosanitary requirements for East Africa. EAPIC’s mission is to serve as a secure electronic repository of national plant pest lists and to share official pest information among member countries and international/affiliated entities. The EAPIC database will complement trade initiatives in the region and help to prioritize specific needs for pest survey, detection, inspection, and diagnosis. Through officially sanctioned, Web-enabled pest databases, EAPIC



member countries will be able to access reliable information locally for domestic programs as well as share critical information to satisfy international obligations (e.g., the International Phytosanitary Portal of the FAO's International Plant Protection Convention). EAPIC's first priority will be to build national capacities to develop a national pest list for the priority staple crops (maize, rice, and beans) in the five EAC countries and Zambia. A COMPETE consultant has traveled to national SPS focal points in Tanzania, Uganda, Zambia, Kenya, and Burundi to obtain information for the national pest risk analysis database. (Rwanda will be covered during the project's fourth year.) The national databases will feed into an EAC regional database.

Regional horticultural study and COMPETE interventions. In the fourth quarter, COMPETE conducted an assessment of the regional trade flows of selected staple foods horticultural commodities. The final report and recommendations will be circulated in the first quarter of FY12. Preliminary results show that less perishable products such as oranges and onions are more likely to be traded across borders. Highly perishable crops are not traded large distances due to the lack of cold storage facilities. It is also important to note that large wholesale markets in urban centers play a key role in the distribution of regionally traded horticultural products.

Specialty Coffee

Global demand for specialty coffee continues to outstrip supply, and coffee prices remain at historic highs. The value of exports of specialty coffee have increased by 25 percent annually in the East African region due in no small part to the work of USAID COMPETE and USAID bilateral programs. East African producers exported more than \$300 million of specialty coffee during the 2010/2011 coffee season; exports in 2001 were only \$60 million. To meet this growing demand, COMPETE has worked closely with Eastern Africa Fine Coffees Association to increase both its technical and organizational capacity.

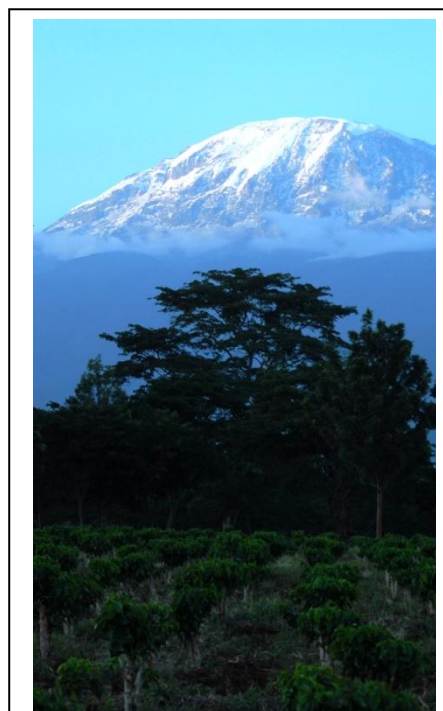
Support to the Eastern Africa Fine Coffees Association (EAFCA). Founded in July 2000, the Eastern African Fine Coffees Association (EAFCA) is a regional nonprofit, member-driven association representing coffee sectors in 11 member countries, including Burundi, DR Congo, Ethiopia, Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe. EAFCA'S vision is to be the leading origin of fine coffees in the world.

With support from COMPETE, EAFCA has gained increased technical competence and expertise. It is now successfully providing marketing and educational services to its members, with trainings in post-harvest processing, roasting and blending, cupping, marketing, and barista championships. EAFCA is reaching out to coffee growers to raise awareness about coffee quality through its "Know Your Cup" farmer training program and "Taste of Harvest" competition. EAFCA has also developed its flagship marketing and promotional activity, the annual African Fine Coffee Conference and Exhibition, as a way of promoting Eastern African coffees to the world and earning revenues to cover annual administrative and operational costs of the organization. COMPETE's support included:

- ***Building operational capacity.*** With COMPETE support, EAFCA is approaching operational sustainability. This is a major achievement for this organization. This is based on its ability to generate significant revenues from its member services and market promotion activities. EAFCA's annual conference and exhibition is now earning the association more than \$300,000 in net revenues. COMPETE Chief of Party Stephen Walls was presented with a lifetime achievement award from EAFCA for the support given to the coffee industry through two USAID

programs, RATES and COMPETE. This was tremendous recognition that USAID support has made a significant impact on the lives of millions of growers of coffee, a staple cash crop.

Based on the institutional sustainability assessment carried out by COMPETE in September 2010, COMPETE provided capacity building support to the new EAFCA Secretariat staff in areas of weakness identified in the assessment in FY11. A significant area of support was in financial management. Because EAFCA received program funding from a number of sources in FY11, COMPETE's accountant worked with EAFCA to establish accounting policies and financial controls to build EAFCA's capacity to track different funding streams and cash outlays. The COMPETE knowledge management team worked with EAFCA to revise their HR and operational policies and procedures. COMPETE also worked with the EAFCA Board of Directors to develop a five-year competitiveness strategy and implementation plan. The plan is designed to address member needs for program services and to ensure EAFCA's long-term financial sustainability.



A coffee plantation near Moshi, Tanzania.

- **Building technical capacity.** Under a tight budget, technical support to the EAFCA was provided mainly through Coffee Quality Institute (CQI) volunteers recruited from the U.S. and international coffee industry. CQI supported a number of coffee activities, including EAFCA's Taste of Harvest coffee competitions and regional train-the-trainer capacity building programs. The Taste of Harvest program seeks to identify the best coffees in each country and showcase them locally, regionally, and internationally. On the local level, EAFCA uses the coffees for basic quality awareness trainings for farmers and traders. At the regional level, the EAFCA Fine Coffees Conference's Taste of Harvest Pavilion draws producers and traders and allows them to taste the winning coffees from each country. On the international level, EAFCA's Limited Edition Fine Coffee Auction, annual conference, and other events allow East African coffees to be tasted by international judges, and allow local coffee experts the opportunity to learn from their international peers.
- **Raising the value of coffee.** COMPETE has supported CQI's efforts to create a "Q" grade coffee classification to add more value to medium-grade premium coffees. Q coffees are expected to attract premium prices above commodity "C" grade coffees through a grading system that recognizes the unique characteristics of these coffees. Q course participants now are being used to judge coffees for nomination to the Taste of Harvest competition.

Sustainable Harvest — connecting rural coffee farmers to the world. Social entrepreneurs in the United States are working with COMPETE to help smallholder coffee farmers gain access to global markets and at the same time meet growing U.S. demand for quality coffee — a market worth approximately \$5 billion per year. Driven by the growing U.S. market trend towards relationship coffees and the end-

market demand for increased traceability and enhanced transparency along the value chain, particularly at origin, entrepreneurs such as Sustainable Harvest, Intelligentsia, and Café Practices (Starbucks) are redefining the coffee business through relationship coffee models.

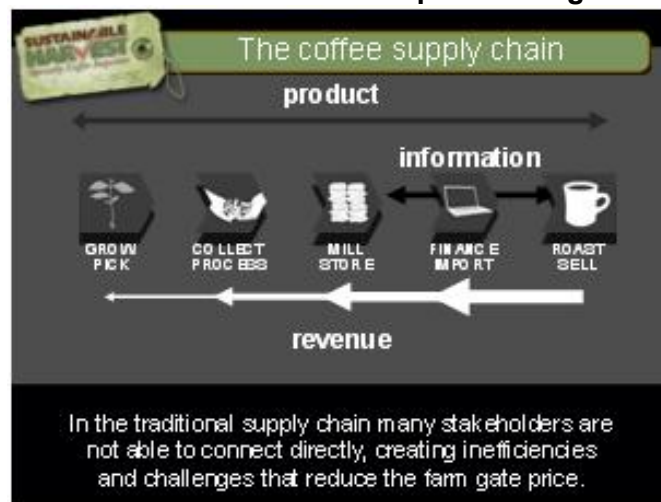
Under these models, the importer or roaster reinvests a portion of their profits back into the supply chain to help the growers produce the higher-quality and environmentally sustainable coffee that the U.S. consumer is demanding. This re-engineering of the value chain has resulted in more revenue flowing back to the smallholder producer. For example, David Griswold, the owner of the Portland,

Oregon-based Sustainable Harvest, is the third-largest coffee importer in the United States. He coined the term “relationship coffee” and has been a leader in developing this new hybrid business model. Sustainable Harvest has reinvested \$2.4 million of its gross profits back to smallholder coffee farmers to support agricultural extension training, solar power, women’s health care, HIV prevention, clean water, and other social or economic welfare-promoting activities.

In January 2010, Sustainable Harvest Foundation received a Partnership Fund grant from COMPETE to begin piloting the Relationship Information Tracking System (RITS) to improve coffee traceability, transparency, and quality using a specially developed iPhone/iPad application. Sustainable Harvest worked with Tanzania’s Kilicafe, a coffee cooperative with 1,225 smallholder farmers. In the past year, these farmers have produced and tracked more than 300,000 pounds of coffee cherries. The RITS system has been successful in sustainably tracking quality and production data, and it offers a wealth of information on socio-economic, demographic, and environmental data, as well as farmer opinions.

In September, Kilicafe signed its first open contract with Allegro Coffee Company for one container of specialty coffee. Kilicafe is also in the final stages of securing 2011 contracts with Green Mountain Coffee, with whom they met during the 2010 “Let’s

Exhibit 4: A Comparison of Traditional and “Relationship” Sourcing Models



Talk Coffee” event. Last year, Green Mountain Coffee signed a contract for two containers with Kilicafe; the company is set to sign an open contract for double that amount for the 2011 harvest. Sustainable Harvest is projecting more than \$2 million in sales of relationship premium coffees from these cooperatives for 2011. Sustainable Harvest has also demonstrated that the realized and potential benefits of a RITS-type system in terms of greater farmer integration into the value chain, increased farmer revenue, increased yields, and improved quality are tremendous.



A trainer demonstrates Sustainable Harvest's iPad-based Relationship Information Tracking System — which is designed to improve coffee traceability, transparency, and quality — to members of the Kilicafe coffee cooperative in Tanzania. Sustainable Harvest is piloting the system through a COMPETE grant.

Fiber-Textiles-Apparel

The overarching aim of COMPETE's work in the regional fiber, textiles, and apparel (FTA) value chain is to create an efficient regional value chain that changes perceptions about what is available in the African market, creates value, and builds international recognition of African brands. In the apparel sector, cotton accounts for about 60 percent of the market; cotton is also prominent in home furnishings, a trend which is expected to increase. African industries could enhance their competitiveness and increase their raw material supply advantage of cotton by expanding regional markets for cotton-based products.

Ongoing support to the African Cotton and Textile Industries Federation (ACTIF). ACTIF is COMPETE's principal regional trade association partner in the FTA value chain. Although it's a nascent association in terms of institutional capacity, ACTIF is rapidly gaining recognition and momentum as the “go to” point for the cotton-textile-apparel sectors in Africa. International trade publications, such as “Cotton International,” look to ACTIF for its position on the future of AGOA and other trade arrangements that apply to Africa. ACTIF will continue to build linkages with the International Trade Centre, United Nations Centre for Trade and Development, FAO, and the EU-All Commodities Program, all of which recognize ACTIF as a credible regional institution and are ready to support and collaborate with ACTIF on key regional activities.

To support ACTIF to play this role, COMPETE provided a Partnership Fund grant that focused on both institutional capacity building and an aggressive technical program. Below are some key results.

- **Market intelligence, information, and trade linkage platform.** With COMPETE support, ACTIF began the redesign of the www.cottonafrica.org website, the key portal for all FTA information. The redesign includes improvements to the trade bulletin section, a key market linkage facility that posts buying and selling opportunities. Postings on www.cottonafrica.org have continued to increase. Offers for buying fiber continued to dominate offers, reflecting the shortage of supplies. Postings since May 2010 have reached \$130 million.

ACTIF is also adding a regional stakeholder directory that provides information on all players in the industry, including company profiles and capacities. ACTIF will add additional features, such as market reports and price information, that will provide more relevant information to its membership. The aim is to create revenue-generating content on the site.

- ***Boosting competitiveness in the textile industry.*** With COMPETE grant support and through direct technical assistance by the FTA technical advisor, ACTIF held an intensive knowledge management workshop in April to increase the region's knowledge base on new innovations and improved procedures in the textile sector. This workshop focused mainly on the Kenyan textile industry. Topics included institutional capacity building, factory evaluation and performance audit procedures, productivity improvement, quality enhancement, and product development.

**COMPETE-Supported Entrepreneurs:
Designer and Fashion House Owner Michael Nzioki**

The COMPETE ECA Trade Hub provides technical assistance to African firms and governments to enhance their competitiveness in global markets. It also hosts industry events to identify talent and link designers and producers to markets. During the Origin Africa Designer Showcase in Nairobi, Michael Nzioki won the "upcoming designer" award, which he considers his breakthrough.

From there, Mr. Nzioki became the wardrobe stylist for a number of Safaricom advertisements and now has a fashion house valued at more than KES 1 million (approximately \$12,000). Mr. Nzioki also is working with COMPETE grantee ACTIF to revive the cotton industry in Africa and drive down the cost of his product.

- ***Cotton price risk management training.*** Through COMPETE's institutional capacity building interventions, ACTIF has increased its capacity to attract additional donor support. The World Bank's Agricultural Risk Management Team, working in collaboration with the Washington, D.C.-based International Cotton Advisory Committee and ACTIF, held a price risk management training in June 2011. Fifty-four participants took part, including industry representatives from Kenya, Malawi, Mozambique, Sudan, Tanzania, Uganda, and Zambia. The course highlighted the need for price risk management strategies. The training helped participants better understand and quantify price risk and acquire the knowledge and tools required to better manage the effects of volatile prices; the recent unprecedented volatility in world cotton prices was a key lesson and underscored the importance of having price risk strategies in place.
- ***Origin Africa Fiber to Fashion 2011 — Mauritius.*** ACTIF worked closely with the Mauritius Export Association and Enterprise Mauritius to organize the Origin Africa Fiber to Fashion 2011 Symposium and Designer Showcase, held in Mauritius in March 2011. The COMPETE FTA advisor played a key role in assisting ACTIF and the Mauritius partners to plan and organize the event. COMPETE also provided additional financial and technical support through a number of service contracts to local and regional event planning companies.

Origin Africa Fiber to Fashion 2011 included three main events: the Symposium, the Pan-Africa Graphic Design Show, and the Origin Africa Designer Showcase. The overall event attracted more than 200 participants, including delegates from the Netherlands, the United Kingdom, Italy, the United States, Turkey, Canada, France, Switzerland, Bangladesh, and India. Fifteen African countries were represented, including three from West Africa.

The two-day symposium brought together designers, manufacturers, and buyers to hear presentations on the latest eco-friendly manufacturing practices, new cotton product development and innovations, and integrating design and marketing. The conference culminated in a buyers/sellers platform led by COMPETE's Friends of Africa Apparel Advisory Board, which is composed of business leaders in the U.S. apparel sector who are committed to increasing trade with Africa.

The presence of U.S. buyers, such as PPR/Redcats Group and the Orvis Group, provided a reality check for African manufacturers about doing business with American companies. Many U.S. firms have made a conscious decision to look at Africa as a new sourcing origin and see Africa as the potential "new frontier" for textiles. As a result of the linkages made at event, the PPR/Redcats Group concluded apparel orders with a Mauritian company worth \$7.8 million.

The Pan-Africa Graphic Design Show showcased African talent in design and linked designers with African producers and U.S. brands wanting to source from Africa. Kewin Kotadoo of Mauritius won the design competition.

The Origin Africa Designer Showcase highlighted student and professional designers representing 12 countries from sub-Saharan Africa and the Indian Ocean Islands. In a fashion show, each designer presented his/her collections to a panel of international judges. Nima Rawah, a textile and fashion design student at the University of Mauritius, won in the student category. Fikirte Addis of Ethiopia won in the professional designer category. Ms. Addis won a COMPETE-sponsored trip to attend Africa Fashion Week New York in July, where her work was featured for an American audience. (For more information, see the section on the ECA Trade Hub below).

- **AGOA Forum 2011.** With COMPETE grant support, ACTIF participated in the AGOA 2011 Forum, the centerpiece of U.S. trade policy with sub-Saharan Africa, from June 7-10, in Lusaka, Zambia. Alongside the AGOA Forum, ACTIF held a meeting of its Board of Directors in Lusaka, at which the future sustainability of the federation was a key agenda item. During FY11, ACTIF leveraged an additional



Together with ACTIF, the COMPETE Program sponsored a booth at the AGOA Forum in Lusaka, Zambia, in June 2011.

\$600,000 in donor support for program activities from Trade Mark East Africa; the Centre for the Development of Enterprise; the Common Fund for Commodities; and the African, Caribbean, and Pacific Group of States.

COMESA's "Cotton to Clothing" strategy. The COMESA "Cotton to Clothing" strategy is a five-year regional competitiveness strategic plan covering the entire FTA value chain with full participation of FTA stakeholders and public sector players such as COMESA and EAC. COMPETE has supported the development of a regional FTA competitiveness strategy as part of this process. ACTIF was selected as the lead institution to coordinate the rollout of the plan.

To begin the implementation process and to ensure a more focused approach, COMPETE supported ACTIF to convene a group of FTA stakeholders in March to identify and prioritize strategic focus areas that impact the competitiveness of the entire cotton textile and apparel value chain. The group developed a prioritized list of interventions from the four main focus areas. The main focus areas included:

- Quality standards and standardization across the value chain.
- Overall capacities and skills of the workforce.
- Market information and trade linkage systems (demand and supply side).
- Inter-regional policy environment.

In July, COMPETE supported ACTIF to hold a regional planning meeting to develop a more detailed strategy implementation plan. This was held in partnership with COMESA, the United Nations Center for Trade and Development, the International Trade Centre, the Southern Africa Confederation of Agriculture Unions, and the All ACP Agricultural Commodities Program funded by the EU. The group also identified a strategic plan implementation committee to drive the implementation process forward. This committee includes stakeholders from across the FTA value chain. ACTIF will take the lead in this process.

The resulting implementation plan is centered on the development of local and regional markets; creation of market linkages; trade policy and the harmonization of standards such as trading standards and practices, including sanctity of contracts, arbitration, etc.; and harmonization of methods and the protocols for testing fiber quality, among others.

Market linkages and trade development. The COMPETE FTA component and ACTIF have continued to develop trade linkages between FTA value chain companies and EU and U.S. buyers, to provide advice on the potential for business in sub-Saharan Africa, and to link-up that potential with the work of the ECA Trade Hub. The following are some of these linkages created in FY11:

- **Hennes & Mauritz (H&M)** has sought ACTIF's help in providing information on manufacturing sources in the region and has recently visited Kenya and Ethiopia to evaluate manufacturing facilities. 
- **J.C. Penney**, a leading U.S. retail chain, met with ACTIF representatives in the United States to discuss the potential of doing business in sub-Saharan Africa. The company stopped sourcing from Africa in early 2000, having shifted its business to Asia, but is now keen to re-enter Africa as a sourcing destination. They subsequently visited Kenya on a fact-finding mission and are seriously considering placing business. The ECA Trade Hub is now assisting in this process, and ACTIF has provided its database of members in the apparel sector to widen the reach of potential manufacturers.
- **Levi Strauss**, specializing in riveted jeans and different lines of casual and street fashion, also met with ACTIF in the United States to discuss the potential of sourcing from Africa. Until now, Levi Strauss has been buying product from Africa through importers and merchants in the United States, but is now looking to source and manufacture jeans directly from African factories. The ECA Trade Hub will now be involved in helping to develop this potential business. 

- ***Snickers Workwear***, a leading work wear manufacturer and distributor in Europe, is keen to develop sourcing from Africa. ACTIF is in initial discussions with the Swedish Trade office in Nairobi to develop this interest and provide information on suitable manufacturing facilities.

Component Three: ECA Trade Hub

Through the East and Central Africa Global Competitiveness Hub (ECA Trade Hub), COMPETE provides technical assistance to African firms and governments to enhance their competitiveness in global markets and helps African businesses take advantage of trade opportunities available under AGOA. The ECA Hub has built strong working relationships with its regional partners to expand export opportunities and to promote increased interregional trade.

The ECA Hub is the one-stop shop in the region for business and national governments seeking to take advantage of AGOA, providing targeted assistance in two primary areas: firm-level assistance and AGOA national assistance. Firm-level assistance promotes direct business linkages between the United States and East and Central African firms. It addresses business development constraints; provides targeted technical assistance; educates private sector groups and associations about AGOA opportunities; and creates valuable business networking opportunities through trade shows, trade missions, business-to-business events, and conferences.

At the national level, the ECA Hub assists AGOA-eligible East and Central African countries to develop action-oriented strategies to more systematically take advantage of AGOA opportunities and focus their efforts in areas of competitive advantage. For example, it encourages countries to integrate trade facilitation concerns into the national economic agenda and include private sector participation in national export diversification strategies. Results for FY11 are provided below.

Exports to United States increased. As shown in the table below, the COMPETE Trade Hub facilitated \$34.8 million in exports in FY11 from East and Central Africa to the United States under the African Growth and Opportunity Act. To date, the project has facilitated nearly \$60 million in exports under AGOA.

Exhibit 5: Value of COMPETE-Facilitated Exports

Sector	FY 09 – FY 10	FY11	Hub Total to Date
Textiles/Apparel	\$21,104,000	\$31,821,000	\$52,925,000
Specialty Foods	\$970,000	\$780,000	\$1,750,000
Cut Flowers	\$2,600,000	\$1, 400,000	\$4,000,000
Home Décor / Fashion Accessories	\$200,000	\$825,000	\$1,025,000
Total	\$24,874,000	\$34,826,000	\$59,700,000

During FY11, the ECA Hub leveraged market linkages to directly initiate new business. These deals were obtained through reinforced market linkages, participation in an increased number trade shows in the United States and Europe, an increased number of U.S. buyer missions to Africa, provision of firm-level technical assistance, and the help of the Friends of Africa board of advisors. In addition, FY11 was the first full year of the Origin Africa awareness campaign.

Trade shows. COMPETE supported the development of buyer/seller relationships by providing cost-sharing support for export-ready ECA businesses that are

interested in exporting to the United States by sponsoring their participation in international trade shows during the year. Below are a few examples:

- **San Francisco International Gift Fair.** Extending its geographic reach to the West Coast, the ECA Hub organized an Origin Africa Pavilion at the San Francisco International Gift Fair. Six companies from Tanzania, Rwanda, Uganda, and Ethiopia exhibited as part of the pavilion. In line with its Origin Africa campaign — which celebrates the spirit, style, and innovation of modern Africa and seeks to change perceptions about doing business in Africa — the Origin Africa Pavilion made an immediate visual impact on the show floor, which translated into business for the exhibitors.



Indego Africa, an innovative social enterprise that partners with women artisans in Rwanda, had its best show ever. Indego generated a record number of sales and made critical connections with new buyers. “The San Francisco Gift Show allowed us to get great exposure on the West Coast,” said the Indego Africa representative. “COMPETE has helped us to get our company out there and our products on the market.” Indego Africa, like all ECA Hub beneficiaries, received prior in-field technical assistance. Indego Africa sells its partners’ contemporary accessories and home décor products at high-end retailers and on its online store, returning 100 percent of its profits to the artisans for ground-breaking long-term skills training programs. Indego Africa unleashes the potential of thousands of independent African businesswomen.

Another exhibitor, Uganda Crafts 2000 Ltd., a Ugandan Fair Trade craft wholesaler and retailer providing employment and training for the disadvantaged, was buzzing with business. The colorful baskets woven by the members of the Suubi Weaving Project (“Suubi” means “hope” in Lugandan), a supplier to Uganda Crafts 2000 Ltd., caught the eye of buyers for the Emerald Fish boutique and are now available online at the Emerald Fish website, www.emeraldfish.com. The site’s blog also features information about the Suubi Weaving Project at <http://emeraldfish.com/blog/?p=133>.

- **International Floriculture Expo.** The ECA Hub organized an Origin Africa Pavilion at the International Floriculture Expo in Miami, Florida, in June. The effort builds upon previous shows and included several flower farms from Kenya — represented by a Kenyan consolidator which currently exports roses and other varieties to the United States — and a Mauritian breeder/exporter of tropical flowers. The exhibitors report that excellent contacts were made and are in the process of following up on leads.
- **MAGIC.** The ECA Hub organized an Origin Africa Pavilion at the MAGIC trade shows in Las Vegas, Nevada, in February and August. The February show featured 10 companies — 8 from East Africa and 2 from West Africa. The August show featured textile and footwear firms from Ethiopia. At both shows, the Origin Africa Pavilion attracted excellent interest from buyers wishing to source from Africa.

Direct technical assistance to firms. The ECA Hub provides technical assistance to African firms and governments to enhance their competitiveness in global markets and helps African businesses take advantage of trade opportunities available under

AGOA. Firm-level assistance promotes direct business linkages between the United States and East and Central African firms. It addresses business development constraints; provides targeted technical assistance; educates private sector groups and associations about AGOA opportunities; and creates valuable business networking opportunities through trade shows, trade missions, business-to-business events and conferences. We highlight two important assignments below:

- ***Support to the specialty foods industry: Kenya, Mauritius, Seychelles, and Tanzania.***

Premier Foods, a Kenyan company, has received intensive technical assistance and market linkage support from COMPETE short-term advisor Jim Thaller. As a result, Premier fulfilled its first order for export to the United States. The deal — for approximately 700,000 bottles of barbecue sauce — was worth \$350,000. Four flavors under the “Choma” brand are being sold currently in U.S. supermarkets — including as Kroger, Foodtown, Hannaford, and White Rose — as well as many independent stores. Premier has also signed agreements with two of the largest food importers in the United States, so its retail outlet penetration and sales volume are expected to grow over time. In addition, short-term consultant Jim Thaller undertook a scoping mission to three countries in December to assess potential of specialty foods products for export to the United States. Participating partners included the Enterprise Mauritius, the Small Enterprise Promotion Agency in Seychelles, and the Small Industries Development Organization in Tanzania.



Workers at a Labourdannais jam factory in Mauritius, which has received technical assistance from COMPETE.

- ***Home decor and fashion accessories: Rwanda, Tanzania, and Uganda.*** In October a short-term consultant visited the region and provided technical assistance to a core set of companies in each country, preparing select companies for the San Francisco International Gift Fair as well as a U.S. buyers’ mission to the region in March 2011. Producers group/product showcases were organized in each country, followed by more intensive, company-specific technical assistance.

Market linkages. Together with the FTA team under Component 2, the ECA Trade Hub team has continued to develop trade linkages between FTA value chain companies and EU and U.S. buyers and to provide advice on the potential for business in sub-Saharan Africa. Activities in FY11 include:

- ***Apparel buyers mission: Kenya and Uganda.*** In October, COMPETE assisted Costco, a U.S. company, to visit Kenya and Uganda to meet with select factories for possible sourcing. As a result, sampling is currently in process with two factories.

- **Swahili Fashion Week: Tanzania.** As part of Swahili Fashion Week held in Dar es Salaam in November, COMPETE sponsored an Origin Africa Designer Showcase that featured design talent from throughout the region, focusing specifically on the “ready to wear” category. COMPETE also organized an “Integrating Marketing and Design” workshop.



- **Apparel buyers mission: Mauritius.** In November, COMPETE linked Orvis, a U.S. company, and Friends of Africa Apparel Advisory Board Member, to a number of Mauritius companies. As a result of the visit to the region arranged by COMPETE, Orvis placed \$10 million in orders with six factories in Mauritius and one factory in Kenya for delivery in FY11.
- **Apparel inward buyers mission: Ethiopia.** Two U.S. companies, Global Apparel Solutions and Alstyle, visited Ethiopia in January and met with factories; the trip was arranged and accompanied by the ECA Hub’s apparel advisor. Both companies decided to place business in Ethiopia and Kenya as a result of the visit.
- **AGOA training: Uganda.** In February, the ECA Trade Hub director met with the primary AGOA points of contact within the Ugandan Ministry of Tourism, Trade, and Industry. The meeting was specifically requested by the U.S. Embassy in Kampala in light of Uganda’s recurring misunderstanding and mishandling of the AGOA apparel visa process. Three ministry officials were trained on AGOA provisions — and specifically on the apparel visa process, which has been an ongoing problem for U.S. exporters, including several COMPETE/ECA Hub client companies. An effective visa system is critical to U.S.-Ugandan trade under AGOA, the lack of which creates a barrier to trade for U.S. companies operating there. Ministry officials admitted that there were problems which need to be corrected and promised to do so. As a result of the visit, ministry officials now have a better understanding of AGOA provisions and apparel visa processes moving forward.
- **Ethiopia workshop.** The ECA Hub, in collaboration with the AGOA+ program, organized an “Integrating Design and Marketing” workshop in Ethiopia in April.
- **Apparel buyers mission to Kenya.** The ECA Hub organized the visit to Kenya of two U.S. buyers, Twin Hill (UPS) and AMG, in April. The companies visited several factories in Nairobi, the Athi River Export Processing Zone, and Nakuru, with the goal of expanding UPS’s current business in Kenya with new vendors.
- **Home decor/fashion accessories buyers mission.** The ECA Hub organized a visit by three U.S. buyers in home decor/fashion accessories in May. The buyers from Eileen Fisher, Swahili Imports, and World of Good visited Kenya, Ethiopia, and Tanzania, where one-day product exhibitions, followed by more intensive one-on-one meetings with producers, were held in each country.

- **AGOA Forum.** COMPETE staff attended the AGOA Forum in Lusaka, Zambia, where they participated in plenary sessions and staffed an ECA Hub booth in the exhibition space. The ECA Trade Hub Director was a panellist on the African Women's Entrepreneurship Program session titled "Export Requirements to the U.S."
- **Apparel buyers mission.** In June, the ECA Hub hosted four executives from U.S. company JC Penney. The buyers, accompanied by Apparel Advisor JC Mazingue, visited several factories in East Africa as part of a fact-finding mission.



Friends of Africa. Over the past year, COMPETE continued to raise awareness about doing business in Africa through its "Origin Africa" campaign. A significant component of this campaign is a COMPETE-facilitated group called "Friends of Africa." Friends of Africa is a group of leaders in the apparel industry who contribute their knowledge and expertise to guide Africa through its growth as a global sourcing destination. They raise awareness within the apparel sector about Africa's comparative advantage in niche markets such as organic cotton; customized production; state-of-the-art manufacturing facilities; and viability as an ethical, sustainable, long-term sourcing destination.

COMPETE organized two Friends of Africa meetings in the United States in February and August. The main objective of these meetings was to discuss capacities in textile and apparel in Kenya, Tanzania, and Uganda. This prompted a discussion between the members about the competitive advantages of these countries' textile and apparel industry. Several recommendations were noted, including improving communication and response time, investigating comprehensive certification and compliance programs, assessing capability to use chief value cotton and terylene cotton because of the high duty advantage (under AGOA, duty savings are up to 34 percent higher for synthetics than for cotton), and increasing the variety of shipping options.

**COMPETE-Supported Entrepreneurs:
Doreen Mashika, Designer**

Doreen Mashika is a young designer and entrepreneur based in Zanzibar. The COMPETE ECA Hub first invited her to attend the Origin Africa Mauritius event in March 2011, where she exhibited her line of high-end bags, jewelry, and fashion accessories. The ECA Trade Hub also sponsored Ms. Mashika to exhibit at two trade shows in Europe: Tendance in Frankfurt in August 2011 and the Ethical Fashion Show in Paris in September 2011.

Ms. Mashika generated sample orders of \$45,000 at Tendance and \$50,000 at the Ethical Fashion Show in Paris, where she also won the "Best in Show" award. She recently shipped her first order, valued at \$25,000, to the Metropolitan Museum of Art in New York and has orders with major U.S. retailers such as Neiman Marcus.

Changing perceptions through Origin Africa events. One of the aims of the Origin Africa initiative is to change perceptions about doing business in Africa. Events such as the Origin Africa Designer Showcase bring together all players in the fiber-textile-apparel value chain from designers to manufacturers to buyers.

In March, COMPETE, the Mauritius Export Association, Enterprise Mauritius, and the African Cotton & Textile Industries Federation held a symposium that brought together designers, manufacturers, and buyers who learned about eco-friendly manufacturing practices, new cotton product development, and innovations and how to integrate design and marketing strategies. The Origin Africa Designer Showcase and Pan-Africa Graphic Design Show complemented the symposium and demonstrated the practical application of design and technology in apparel. In the

Designer Showcase, Africa's new and upcoming designers presented their collections to a panel of international judges and connected with African producers and U.S. buyers sourcing from Africa. Ethiopian designer Fikirte Addis won the Fiber to Fashion 2011 Designer Showcase Award and was a featured designer at Africa Fashion Week New York in July 2011.

Many U.S. firms have made a conscious decision to look at Africa as a new sourcing origin and now see Africa as the potential "new frontier." Marsha Powell, the Turkey and Africa Program Director for Cotton Incorporated, U.S.A., and other experts provided education and presentations to more than 200 business people and design students at the March Origin Africa event in Mauritius. U.S. buyers such as PPR/Redcats Group and the Orvis Group provided insights to African manufacturers about what is needed by U.S. companies doing business with Africa and highlighted the need for African factories to adapt to the U.S. market. Fueled by the global demand for cotton, diversification of apparel sourcing to Africa, and a growing African middle class who want African-made apparel, the outlook remains bright for Africa's cotton, textile and apparel sector.



Fikirte Addis, winner of the Fiber to Fashion Designer Showcase at the Origin Africa event in Mauritius in March 2011. Ms. Addis won a COMPETE-sponsored trip to participate in African Fashion Week in New York in July 2011.

Friends of Africa – Walking the Talk

As a result of the U.S. meetings and COMPETE's Africa promotion, several Friends of Africa advisors personally visited East Africa in 2011, often making new business deals as result of these travels, including:

- **SUPERIOR UNIFORM GROUP**
M.M. Shepard and Scott, logistics director and sourcing manager, visited Ethiopia, Kenya, and Tanzania on a buyer's mission organized by the Hub. They placed a large order of CVS Pharmacy polo shirts in Ethiopia at ALMEDA. They also recruited a quality controller in ECA.
- **REDCATS USA**
Nick Moreno, sourcing director and Friends of Africa founding member, visited Ethiopia, Kenya, and Mauritius on the occasion of the Origin Africa Designer Showcase in Mauritius in March, where he was a speaker. Since then, REDCATS has placed orders for tee shirts in Mauritius and Ethiopia.
- **ROAMANS**
On Nick's Moreno recommendation, another brand of PPR Group called Roamans has placed orders for sleepwear with World Knits in Mauritius.
- **JESSICA LONDON**
Jessica London is a higher-end U.S. brand for plus sizes and a member of Friends of Africa. They are currently sampling in Mauritius at RT KNITS.
- **The ORVIS Group**
The ORVIS Group, a mail order and e-commerce company is represented at Friends of Africa by their sourcing director, Ronald E. Smith. Several of their executives came on a buyer's mission to East Africa and Mauritius. Ron Smith also was a speaker at the Origin Africa Mauritius event. ORVIS is currently sourcing from eight factories in Mauritius and Ethiopia.
- **WOMEN WITHIN**
The Hub introduced Woman Within, REDCATS' plus-size apparel company, to Africa Apparel in Kenya. They are currently sampling denim jeans in Kenya and women's tops in Tanzania.
- **DICKIES**
Williamson Dickies, one of the largest apparel brands in the United States, has joined Friends of Africa. Their sourcing director, Tom Canada, is currently sourcing samples from Kenya and Ethiopia for tee shirts and coveralls.

Knowledge Management/Monitoring and Evaluation

During FY11, the knowledge management team worked to enhance the systems for collecting and processing the project's performance data, supporting the capacity building of partner institutions through M&E skills transfer and institutional assessments to make recommendations for improvements, and contributing to the institutional capacity building body of knowledge through the enhancement of the maturity model used for performing institutional assessments.

To enhance the project's capability to collect, process, and use the large volumes of M&E data that is generated by the project and its partners, the knowledge management team implemented an online M&E data collection and reporting system, which enabled the project to greatly reduce the time and effort expended in collecting performance data, as well as simplifying the processes for accessing M&E data to be used in performance tracking and reporting to USAID.

The implementation of the online system enabled partners and team members in the field to submit performance data directly into the M&E reporting systems in real time. This reduced the time taken from data request to submission from an average of two weeks to two days, which enabled team members to have more useful performance data available to them for decision-making.

The team also worked to develop the internal capacity of the COMPETE partners to perform project performance monitoring and reporting. COMPETE conducted M&E training events for the Eastern Africa Grain Council, Farm Concern International, the African Cotton and Textiles Industries Federation, the Kenya Shippers Council, and the Kenya Transporters Association. The training workshops equipped the participants with skills in the design of M&E plans for development projects, development of results frameworks, logical frameworks and outcome mapping.

To demonstrate the impact of the project's capacity building initiatives and the progress of partner institutions towards sustainability, COMPETE performs institutional assessments of its partners using the COMPETE Institutional Sustainability Maturity Model. The model is an institutional governance reference model based on industry best practices that are necessary for an institution to attain sustainability. During FY11, the knowledge management team used the model to perform an institutional assessment of the East African Grain Council, which demonstrated the strides that the organization has made since its last assessment and provided a roadmap of the capabilities that the organization will have to acquire as it continues its growth.

The COMPETE Institutional Sustainability Maturity Model is an evolving reference for use in organizational development for sustainability. The model is COMPETE's contribution to the institutional capacity development body of knowledge. The knowledge management team made additional contributions to the body of knowledge in FY11 with the development and release of version 2.1 of the model, in which value development, knowledge management, and stakeholder relationship reference models were introduced.

Capacity Building under the Partnership Fund

COMPETE has dedicated \$24 million of its funding to a Partnership Fund targeting private sector trade associations and farmer-based organizations to better enable these groups to advocate for policy change, increase market share for their products, and provide services to their membership that will increase the region's competitiveness in targeted value chains.

Under its institutional strengthening strategy, this past year COMPETE continued to emphasize the building capacity of these partner organizations — including the principal partners of Eastern Africa Grain Council, African Cotton Textile Industries Federation, and Eastern African Fine Coffees Association — by working directly with them to develop association strategic plans, financial management systems, and more transparent governance and management systems. The institutional strengthening exercises that the COMPETE staff carried out took the form of strategic planning workshops and “best practices” training sessions for increasing and improving organizational and administrative capacity.

For many of the nascent organizations that have received grants from COMPETE, the most critical training was often focused on helping these partner organizations set up and implement transparent financial systems that would support receiving and managing not only COMPETE funds but other sources of targeted donor funding. For example, COMPETE provided training and mentoring on accounting systems and managing and developing M&E systems and reporting data to donors for the EAGC, in addition to the technical capacity building the project offers. In addition, COMPETE carried out several very well-attended workshops for KTA, Farm Concern International, and the Kenya Shippers Council on setting up M&E systems so that the necessary information and data can be provided to COMPETE.

While this continues to be an ongoing process for most of the COMPETE partner organizations, in some cases the successes of these partners have led other major donors, including the World Bank, DFID, and the European Commission, to increase their support for these regional organizations. Obtaining this type of non-USAID support for the grantee organizations is a testament to the quality and impact of the capacity building support that COMPETE regularly offers to its partner organizations.

In FY11, the COMPETE Partnership Fund awarded approximately \$6.4 million in grants under a “Letter of Credit” (LOC) grants ceiling amount of \$6,172,144. (N.B.: Under the recent Modification #5 to the COMPETE contract, an additional \$2.4 million was added to the LOC ceiling for FY12, bringing the overall LOC ceiling for COMPETE to \$8,568,352.)

Partnership Fund grant activities for FY11 included:

- **Support to RTAs.** Five grants in total have been awarded to the COMPETE-supported Eastern Africa Grain Council, African Cotton and Textile Industries Federation, and Eastern African Fine Coffees Association to support the sustainability process of these RTAs.
- **Support to private sector transit associations.** Three grants awarded in FY10 continued in FY11 with the Kenya Transport Association, Federation of East Africa Freight Forwarders, and Kenya Shippers Council to support a number of key transit policy issues for East Africa. Emphasis on capacity

building and operational training was placed on the transit associations in FY11.

- **Support to smallholder aggregation and regional marketing partners.** The Partnership Fund support continued with COMPETE grants to smallholder partners that focused on working in implementing the COMPETE regional staple food strategy. These included grants to AGMARK, the Cereal Growers Association, Rural Urban Development Initiative, Farm Concern International, Cotton Conservation Initiatives Uganda, One Acre Fund, and Ten Senses Africa.
- **Support to regional commodity exchanges and structured trade activities.** One ongoing and one new grant to the Agricultural Commodity Exchange Trust in Malawi and the Zambia Agricultural Commodity Exchange continued.
- **Support to promote innovative technologies in market information systems.** An ongoing two-year grant continued with Sustainable Harvest in Tanzania to support the innovative work that the organization is doing in implementing the Relationship Information Tracking System to improve traceability, transparency, and quality in the specialty coffee sector in East Africa.
- **Support to increase the regional capacity to produce “ready to use therapeutic food” (RUTF).** The ongoing grant awarded in FY10 to Insta Products Ltd. continued with the objective of increasing RUTF production capacity in the East Africa region to meet the demands of international organizations in purchasing and providing the product to populations at extreme nutritional risk. During FY11, COMPETE worked with Insta to research the market to try to procure locally produced groundnuts from East Africa for the production of the RUTF.

Also through the Partnership Fund, COMPETE has awarded a number of subcontracts and service agreements. Some of these non-grant activities are include:

- **Support to EAC customs connectivity.** A two-year subcontract was awarded to the firm Blue Sky Revolution, which provides ongoing technical assistance support to the development and implementation of the Revenue Authorities Digital Data Exchange.
- **Support to RTAs.** A subcontract was awarded to CQI, the research arm of the Specialty Coffee Association of America, to offer technical assistance to the East Africa specialty coffee industry. A subcontract was awarded to La Risorta to provide ongoing logistical support to the COMPETE supported RTAs in implementing a number of trade conference events.
- **Support to staple foods competitiveness.** Multiple subcontracts were awarded to regional firms to conduct a series of value chain analytical studies. Firms included Imani Development International, Agrideveth, Market Economies Development, and Premium Consulting of Uganda.
- **Support to financial and insurance sectors.** Subcontracts were signed with Kenya School of Monetary Studies and Kenya College of Insurance to roll out training programs in agricultural finance and agricultural insurance.

Conclusion

COMPETE contributes significantly to the USAID East Africa mission's Feed the Future goals and objectives. The region benefits from a value chain approach that hones in on structural and dynamic issues that, when addressed, have an impact greater than just on the staple foods value chain alone. Supporting regional integration with the EAC also paves the way for more efficient supply chains and helps to lower the cost and time of moving goods across borders. These supply chains impact on all products moving across borders, including staple food products. They have a major impact on the cost of producing and moving food as well as on the competitiveness of goods exported regionally and globally.

Below are several key "lessons learned" and recommendations coming from the COMPETE's internal assessment carried out in August 2011.

Focus on building sustainability for the remainder of the project. COMPETE's vision is to build sustainable capacity for competitive regional and international trade and food security. To achieve this vision over the last 18 months of the project, the logical focus is on fostering sustainability of activities and institutional change. COMPETE will consolidate gains and undertake activities that are in USAID's and the project's manageable interests. COMPETE will solidify, institutionalize, and document gains, and disseminate analysis, lessons learned, and information. Each major activity will have an explicit exit strategy — there must be a home for activities and products post-COMPETE.

Create an improved knowledge management platform. COMPETE is working to synthesize the program's methodologies, experience, and learning into user-friendly packages for a broad audience. COMPETE already has revamped its website to provide a more interactive portal for sharing of best practices. COMPETE will also help its partners ramp up knowledge sharing through the development of training materials, quality manuals, and expanded websites.

Develop an improved strategy for bilateral missions in conjunction with USAID/EA. COMPETE will systematically reach out to two groups of stakeholders at the bilateral level: USAID missions and national entities. In terms of the USAID missions, the objective is to help USAID operationalize work in COMPETE's technical areas. COMPETE will continue to inform USAID missions on current in-country activities; promote available advisory and capacity building services and knowledge resources; and provide demand-driven support through consultations, activity and document reviews, and development and facilitation of joint pilot activities that leverage regional and bilateral resources.

Strengthen monitoring and evaluation for the remainder of the project. COMPETE has revised its results framework to align with the USAID EA's Feed the Future strategy. Realignment includes:

- Reducing the number of indicators on which COMPETE reports.
- Using M&E data as a tool in an improved knowledge management platform.
- Ensuring a direct field monitoring linkage between data submissions and actual field activities.
- Confirming that data quality assessments meet USAID requirements.

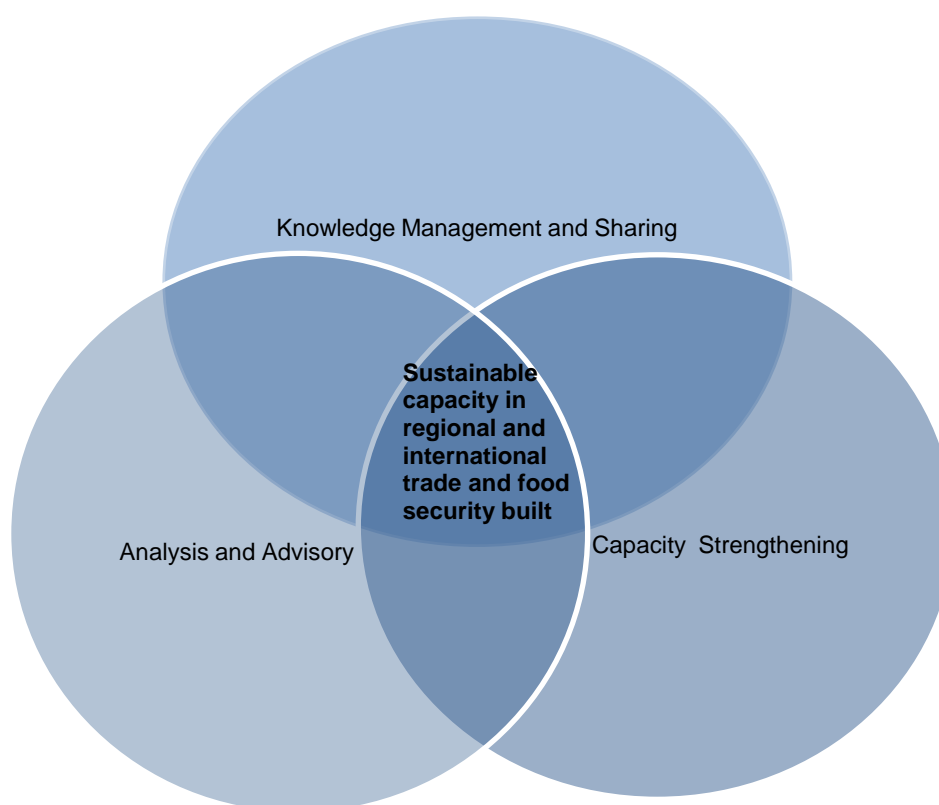
COMPETE's monitoring and evaluation will continue to support the program team and USAID East Africa with performance data to drive evidence-based decision

making. COMPETE's M&E team will also provide capacity building for COMPETE partners institutions to develop their internal M&E systems and their institutional governance to support their growth towards sustainability.

Looking Forward

COMPETE is looking forward to building on the successes of the past year. Our team has reframed the vision for COMPETE to *focus on building sustainable capacity for competitive regional and international trade and food security*. To achieve this vision, over the last 18 months of the project, the logical focus is on fostering sustainability of activities and institutional change. The project has developed a new conceptual framework that illustrates how the project uses a combination of interventions to achieve our vision.

Exhibit 6. COMPETE's Conceptual Framework



The Venn diagram above describes how the project utilizes a combination of interventions within the areas of analysis and advisory services, capacity strengthening, and knowledge management and sharing to achieve our overall objective of creating sustainable capacity in regional and international trade and food security. Below is a brief summary of the three focus areas:

- ***Analysis and advisory support.*** COMPETE undertakes analyses of issues and approaches, distilling needed information — including data analysis, policy constraints and recommendations, or lessons learned in a particular technical area or approach. These analyses and related advisory support feed into knowledge sharing and capacity building efforts. A good example of this is the recent analytical work on staple foods trade bans that are being used to establish EAC policy among member states.
- ***Capacity strengthening.*** Strengthening institutional capacity is one of the greatest challenges USAID faces as it fulfills its mandate and is at the core of COMPETE's work. Our partners face a range of challenges as they struggle to thrive in complex economic, political, and social environments — constrained by policies, bureaucracy, and limited human and other resources. COMPETE's job is to build partner organizations' capacity so that they overcome these challenges and provide quality services and products. Activities take the form of training, mentoring, and guidance that builds both technical and organizational capacity. Critical to this effort is COMPETE's well-established organizational assessment tool, which identifies and tracks the technical and organizational capacity needs, of key partners — including the East African Grain Council, African Cotton Textile Industries Federation, and the East African Fine Coffees Association — with the aim of preparing selected partners for direct support from USAID.
- ***Knowledge management and sharing.*** Knowledge management and sharing is vital to connect USAID staff, COMPETE's partners and beneficiaries, and the development community with information that will help them work smarter to accomplish their missions. Knowledge management and sharing entails promoting best practices and lessons learned, enriching collaborative partnerships, and assisting in decision-making through research and information sharing. COMPETE has moved from an ad hoc to a more systemic approach of disseminating knowledge products and services to a diverse global audience.

Success Stories

1. Supporting Socially Conscientious Growth
2. First Public Warehouse Receipt System Launched in Malawi
3. Saving Lives One Packet at a Time
4. Two Kenyan Sister Companies Take U.S. Specialty Food Market by Storm
5. Launch of Regional Transit Website Provides Portal for Valuable Information on Transportation and Trade Issues in East Africa
6. Improved Storage Adds Value to Regional Food Commodities
7. Freight Forwarders Body Launches Code of Conduct to Boost East African Community Economies



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SNAPSHOT

Supporting Socially Conscious Growth

Strengthening Social Enterprises in East Africa



Photo: Indego Africa

An artisan at the Ingenzi Knit Union in Rwanda works on a scarf to be sold at Anthropologie.

“USAID/COMPETE has helped get our company out there and our products on the market.”

***—Deirdre McGuigan,
Indego Africa Retail Manager***

Demand is growing for goods that help contribute to positive social outcomes. However, developing quality product lines that appeal to consumers with sophisticated tastes is challenging, particularly for socially-minded entrepreneurs bridging the gap between small producers and Western markets. To support these social enterprises – and the people they employ – the USAID Competitiveness and Trade Expansion program (USAID/COMPETE) provides marketing assistance to fashion and home décor businesses throughout East Africa.

Recently USAID/COMPETE partnered with U.S.-based Indego Africa, whose Rwandan operations employ women artisan cooperatives to produce unique products for sale in the U.S. Indego Africa reinvests 100 percent of its profits for cooperative training and educational programs. To expand Indego Africa's business operations, USAID/COMPETE recommended it strengthen its production capacity and develop relationships with international buyers of socially conscious products.

USAID consultants visited the 127-member Ingenzi Knit Union to assess the cooperative's product quality, vital for winning repeat orders. Ingenzi provides knit scarves that Indego Africa sells through the U.S. high-end chain, Anthropologie.

In 2011, USAID sponsored Indego Africa's participation in the San Francisco International Gift Fair attended by U.S. retailers and wholesalers, as part of USAID/COMPETE's "Origin Africa" campaign to promote products made in Africa.

Indego Africa scored record sales-- 25 percent over previous shows and made connections with new buyers. "The San Francisco Gift Show allowed us to get great exposure on the West Coast," said Deirdre McGuigan, Indego Africa's associate general counsel and retail manager. Indego Africa's success in Rwanda will translate into steady employment for the women artisans who make their products. "And that," she notes, "is the most important part."

Since 2008 USAID/COMPETE has helped 150 companies in eight African countries market their goods and expand their products resulting in over \$50 million in exports to the U.S. under the African Growth and Opportunity Act (AGOA).



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SNAPSHOT

First Public Warehouse Receipt System Launched in Malawi

A system provides buyers with grain and depositors with cash



Photo: USAID

Mr. Chikhasu receives the first warehouse receipt

"The warehouse receipt system makes it possible for me to buy larger volumes and keep the maize till the prices are good. I believe the price of maize will allow me to earn a good premium next year after paying storage and interest costs."

--Lawrence Chikhasu

The Agricultural Commodity Exchange for Africa (ACE) and the Grain Traders and Processors Association (GTPA) have implemented Malawi's first public warehouse receipt system, to help depositors access finance, as well as facilitating trade through the use of these receipts..

Using this system, an owner of agricultural commodities can deposit grain securely, until it is profitable to sell, and opt to receive a warehouse receipt, which can be used to obtain immediate finance from a bank. This potential to time grain sales to obtain better prices, access cash and secure storage, provides incentives for grain warehousing and allows grain buyers and traders to access more grain of a known quality and quantity.

A consortium of donors including, the Common Fund for Commodities, the European Union, the Alliance for Green Revolution in Africa and USAID are funding different elements of the system which requires software development, rural warehouse refurbishment, training, and linkages with farmers to become a fully operational warehouse receipt system, benefitting smallholder farmers and other depositors alike.

The first warehouse receipt was issued at GSL Silos in Kanengo, Lilongwe. Lawrence Chikhasu, owner of BuCow Investment, a small commodity trading company, was the first to take advantage of the new system: "I am a businessman and need financing to keep buying maize from farmers. The storage cost is higher than what I am used to, but my maize is secure and the quality and quantity is guaranteed – I don't have to think about post-harvest losses anymore."

Mr. Chikhasu deposited 14.5 metric tons of maize and received 60% of the current market value, comparable to US\$1,715 at 20% interest per year. According to Mr. Chikhasu, warehousing is good business: "The warehouse receipt system makes it possible for me to buy larger volumes and keep the maize till the prices are good. I believe the price of maize will allow me to earn a good premium next year after paying storage and interest costs."

The new public warehouse receipts system is also good for Malawi's markets. Three banks, Opportunity International Bank of Malawi, Standard Bank and the National Bank of Malawi

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consider the warehouse receipt to be a secure, tradable document. Banks enjoy reduced risk in financing these receipts and grain buyers know they will get what they pay for when they buy a receipt – the receipt is a form of performance guarantee. Generally delivery on a contract is made when transfer of ownership is done on the receipt; the maize doesn't necessarily have to move for delivery to take place. This public warehouse receipts system makes trade both easier and more secure, and is expected to attract more buyers and foster a more liquid and vibrant agricultural market in Malawi.



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SNAPSHOT Saving Lives One Packet at a Time

Increasing Regional Food Security



Photo: Valid Nutrition

Valid Nutrition Ready-to-Use
Therapeutic Food (RUTF)

Insta production has significantly increased and orders are immediately shipped to children suffering from severe malnutrition in Northern Kenya, Somalia and Sudan.

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Ready-to-Use Therapeutic Food (RUTF) is a peanut-based food product used in emergency situations to rehabilitate severely malnourished people. The demand for RUTF by humanitarian organizations in East Africa far exceeds supply, yet few regional businesses are willing to tackle the challenges that RUTF manufacturing presents: stringent regulations, high cost of transport, expensive inputs, ad hoc government regulations and customs, and a patented peanut formula.

With USAID's support, Insta Products has become an exception and now helps supply this life-saving food source to children in need across the region. Insta Products began manufacturing RUTF in July 2009. Insta's 92 gram sachet of highly stable RUTF is unique since it is manufactured on the outskirts of Nairobi, Kenya, within reach of vulnerable populations in Ethiopia, Somalia and Sudan.

As part of its efforts to promote regional food security, USAID/East Africa's Competitiveness and Trade Expansion Program (USAID/COMPETE) provided a grant to Insta Products in 2009. The grant has helped Insta meet challenges with working capital, sourcing of inputs, logistics and transport.

With USAID's support, Insta purchased a reliable packaging machine to increase production capacity. They have also upgraded their manufacturing, warehousing, and laboratory facilities. The factory can now manufacture and package 4,500 metric tons of RUTF per year. The facility and manufacturing processes conform to international human foods standards as required by major humanitarian organizations.

Since locally produced peanuts can contain aflatoxin, a carcinogenic toxin produced by a common fungus that invades crops, Insta started to source aflatoxin-free peanuts from small-holder farmers in Zambia and Malawi, through partnerships with regional traders. The benefits were twofold: Insta reduced costs by sourcing inputs from within the region, and farmers increased revenue and production capacity. As of July 2011, Insta's production output has tripled and they are operating around the clock to meet demand. The product is being shipped to drought affected areas in the Horn of Africa.



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EAST AFRICA

USAID **50** ANNIVERSARY

SNAPSHOT

Two Kenyan Companies Take U.S. Specialty Food Market by Storm

Consumer demand for ethnic food opens door to African products



USAID has helped these two Kenyan products make it all the way to the U.S.

Photo: USAID/COMPETE

“USAID/COMPETE’s support helped us successfully navigate our way into the U.S. market.”

Victoria Muthusi
Frigoken, Ltd.

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“Shamba” is the Swahili word for “farm” and “Choma” means “grilled.” American consumers are becoming familiar with these terms thanks to USAID East Africa’s Competitiveness and Trade Expansion Program (USAID/COMPETE). Following intensive assistance from USAID through specialty food consultants Talier Trading Group, two Kenyan companies, Premier Foods and Frigoken, have taken the U.S. specialty food market by storm taking advantage of preferential trade opportunities available under the African Growth and Opportunity Act (AGOA). To help increase trade, innovation and job creation in Africa, AGOA allows African companies to export up to 9,000 goods to the U.S. without paying import tax.

Within three months of USAID’s assistance with packaging, product development, pricing, brand development, and value-chain assessment, the two new brands, Shamba Farms Vegetables and Choma ‘Wild Grillin’ BBQ Sauce signed with an importer, negotiated contracts with two of the largest food distributors in the U.S. and began shipping product to a rapidly expanding customer base. All of this happened before the companies arrived in New York in 2010 to participate in the USAID sponsored Fancy Food Show, the largest specialty food event of its kind in the U.S.

“I like these products for a few reasons,” says Talier managing director Jim Thaller. “They use commodities that have limited export potential on their own (e.g., green beans) and because they help brand a story from Kenya. They are great companies and were a pleasure to work with.”

The Shamba Farms brand has three products: all-natural, bundled green beans, carrots and yellow beans. The Choma brand has four products: traditional, hot, and sweet and garlic barbeque sauces.

American consumers seem to like the products with 700,000 bottles of the choma sauces distributed, generating over \$350,000 in sales. The products can be found in supermarket chains such as Kroger, Foodtown, Hannaford and White Rose. The two companies will continue working the U.S. market with hopes of approaching other international markets.

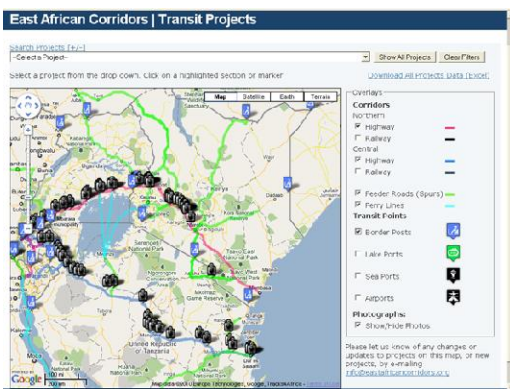


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CASE STUDY

Launch of Regional Transit Website Provides Portal for Valuable Information on Transportation and Trade Issues in East Africa



Nathan Associates

“This website marks a major achievement for the transportation development issues in the region”

U.S. Agency for International Development
www.usaid.gov

Challenge

To find comprehensive information on East Africa’s transportation and trade corridors, one would have to search through multiple agency websites for seven countries, at least three multilateral donors, many more bilateral donors and three more regional economic entities dealing with transit in the region. Assuming relevant documents are available online, the documents would need to be read, and the reader might still not have a solid picture of what the issues are or how difficult they can be to overcome. As a government worker trying to address these issues in your country, that would be a daunting task that requires days of your time. Now, USAID/EA has done the heavy lifting.

Initiative

On August 15th, 2010 USAID in partnership with the UK Department for International Development (DfID) launched the website, www.eastafricancorridors.org, as a repository for all reports, documents, data, and media associated with the development of East Africa’s Northern and Central Transit Corridors. These corridors serve communities as far east as Kisangani in the Democratic Republic of the Congo, provide goods and services to seven countries in the region and incorporate road, railway, ports, and maritime traffic. With the launch of the website, governments, regional economic communities, donors, researchers and anyone with an interest in transport issues in the region can come to one central location to learn more.

The website consists of three major sections: a library with nearly three hundred tagged and searchable documents that also serves as a public “drop-box” for any relevant documents added by the public; two GIS maps marking points where public and private sector stores of food are kept throughout the region and points of interest for transportation and trade issues along the corridor, including up-to-date pictures and archived reports on those points; and a media page incorporating germane videos, slideshows and blog entries. As they become available the results from four pending major reports on corridor efficiency will be added to the site.

Results

This website marks a major achievement for the transportation development issues in the region and will continue to grow and incorporate new material. User comments are fielded by the appropriate experts and new ideas will be included in regular updates to this regional transit portal.



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SNAPSHOT

Improved Storage Adds Value to Regional Food Commodities

A former teacher becomes a savvy agro dealer



Evelyn Wanyera oversees her grain milling operation.

Photo: USAID/COMPETE

“My maize was being destroyed without storage,”

-- Evans Makanda

Telling Our Story

U.S. Agency for International Development
Washington, DC 20523-1000
<http://stories.usaid.gov>

Evelyn Wanyera is a Kenyan agro dealer who with training and support from USAID, moved from being a smallholder farmer and teacher to a successful agro dealer. She provides farmers with a place to store their food commodities which in turn improves the quality of local food supplies and provides an improved income for herself and many farmers.

USAID's regional Competitiveness and Trade Expansion Program supported the Agricultural Market Development Trust, (AGMARK), an organization that helps farmers access agriculture markets, to create a structure along the Kenya/Uganda border that encourages enterprising smallholder farmers to become agro dealers in their communities.

Under the partnership, new agro dealers commit to renovating small warehouses that can serve as grain stores for local smallholder farmers. In return, AGMARK purchases the agro dealers aggregating equipment such as weigh scales, sieves, moisture meters, and pallets to help the farmers expand their business and add value to their products.

With USAID's support, AGMARK has linked 8,000 smallholder farmers to 13 agro dealers. In the past year, the agro dealers have sold nearly 6,000 metric tons of grain to six large traders operating across Kenya, Uganda, and Rwanda. The smallholder farmers have increased their surplus with the timely purchase of seeds and other inputs and have found a market for their surplus grain.

The agro dealers' renovated stores allow farmers to maintain quality grain after the harvest season. This means that farmers can now wait to sell their product until the price is right.

Evelyn supplies four farmer groups with seeds and tools and stores the farmers' grain as part of her agro dealer services. The farmers are grateful for Evelyn's support and their increased access to markets. Evelyn is grateful for her new and successful career.

Farmer Evans Makanda comments, “My maize was being destroyed without storage – Wanyera provided storage at good rates and access to inputs.”



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SNAPSHOT

Freight Forwarders Body Launches Code of Conduct to Boost East African Community Economies

Creating a corruption-free transit and logistics supply chain



Photo: USAID COMPETE

The Hon. Prof. Hellen Jepkemoi Sambili, Minister to the EAC (Kenya), notes that the FEAFFA Code of Conduct is one more step on the path to regional integration in East Africa.

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USAID/EA Regional Director
Larry Meserve

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The Regional Federation of East African Freight Forwarders Associations (FEAFFA), the apex private sector body representing the freight forwarding industry in East Africa, is working in collaboration with the five national Revenue Authorities in the East African Community (EAC) and with support from USAID East Africa to create a corruption-free transit and logistics supply chain throughout East Africa.

FEAFFA took a huge step towards promoting ethical and efficient practices among clearing and forwarding professionals in the industry by launching their Code of Conduct on July 28th in Nairobi, Kenya.

USAID East Africa Regional Director Larry Meserve, along with the Kenyan Minister to the EAC, Hon. Prof. Hellen Jepkemoi Sambili, and other regional officials were on hand to congratulate FEAFFA on this achievement.

FEAFFA was established in 2005 and USAID has worked closely with FEAFFA over the years through its regional anti-corruption programs focused on training, policy reforms, and capacity building of government and private sector representatives in the transit sector. USAID has recently provided FEAFFA with a grant to help it become a strong regional business association.

“The Code of Conduct is another important step in raising the bar to professionalize the freight forwarding industry,” said Larry Meserve. “This Code of Conduct encourages freight forwarders to engage in practices that do not undermine but strengthen the logistics service industry in which they are working – improving transit efficiency, lowering costs and improving economic growth.”

Officials joined in signing the Code of Conduct and declared their commitment to support an ethical, efficient and professional freight forwarding industry. A simplified edition of the FEAFFA Code of Conduct, in English, Kiswahili and French, will be launched at border points across the region in the coming months.

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